



# STATEMENT OF ACCOUNTS 2010/11

For the year ended 31<sup>st</sup> March 2011



# CONTENTS

---

Foreword.....	2
Statement of Responsibilities.....	15
Accounting Policies.....	16
Financial Statements.....	40
Notes to the Financial Statements.....	44
Supplementary Financial Statements.....	150
Glossary.....	162

# EXPLANATORY FOREWORD

---

## 1. INTRODUCTION

The financial performance for 2010/11 for the activities undertaken by the council is set out in the Financial Statements as reported in the Statement of Accounts. The Statement of Accounts contains the following:

**a) Accounting Policies**

Details the legislation and principles against which the Statement of Accounts has been prepared;

**b) Financial Statements**

- The Movement in Reserves Statement, incorporating the movement in year on all the different reserves held by the council;
- The council's Comprehensive Income and Expenditure Statement which summarises resources which have been applied and generated in providing services and managing the council during the last year;
- The Balance Sheet which sets out the assets and liabilities recognised by the council as at 31<sup>st</sup> March 2011, and;
- The Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

**c) Notes to the Financial Statements**

The notes to support the financial statements have three main purposes:

- To present information about the basis of preparation of the financial statements and the specific accounting policies used;
- To disclose the information required by the International Financial Reporting Standards Code of Practice that is not presented elsewhere in the financial statements, and;
- To provide information that is not presented elsewhere in the financial statements, but is relevant to the understanding of them.

**d) Housing Revenue Account**

The Housing Revenue Account Income and Expenditure Statement shows the economic costs in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants;

**e) Collection Fund**

The Collection Fund Statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

---

## EXPLANATORY FOREWORD

---

### 2. SERVICE EXPENDITURE

The service expenditure comprises the day-to-day service running expenses and general income of the council and includes expenses such as salaries, heating, lighting, rent, rates, stationery and depreciation, plus income relating to the services provided.

For 2010/11 the council developed its budget options, within the resources available, by reference to its Corporate Plan and strategic objectives. It also drew on information from formal budget consultations with the public and other interested parties.

At a meeting held on 23<sup>rd</sup> February 2010, the council approved a net budget of £194,205,000 for 2010/11. Spending at this level required a Council Tax increase of 2%.

#### a) General Fund Revenue Outturn

The Directorate outturn is a £1.160m underspend, which has been achieved against a backdrop of reductions in Government funding in year as well as pressures identified during the year.

This position does indicate that the council has managed to address pressures during 2010/11 and is in a positive position to enter 2011/12 and address the further financial challenges to deliver the 2011/12 budget.

The Directorate underspend is increased by a one-off underspend on Debt Financing of (£0.492m) arising from changes to the spend profile of the capital programme. In line with our financial principles, these one-off elements of funding have been set aside to create the Redundancy and Reorganisation Reserve, which is required to support the one-off costs identified in the 2011/12 budget.

The council has also received a number of small additional allocations through the Area Based Grant. The overall financial position and the one-off nature of the funding has meant that the council has chosen not to spend these additional allocations, and this has improved the overall position by (£0.066m).

The 2011/12 budget has identified £0.588m of redundancy costs are likely to be incurred as a result of the implementation of the budget proposals. While some of these proposals are still subject to consultation, which may impact on the final cost of redundancy, significant costs will still be incurred. In addition the council has to find further savings in 2012/13 and future years, and will be undergoing a period of transformation to ensure these savings can be delivered. This means that over the medium term additional redundancy costs are likely.

At the start of the financial year, the council identified a minimum prudent level of General Fund Reserve (£7.000m) and any excess over and above this sum

## EXPLANATORY FOREWORD

---

has been used to create a Redundancy and Reorganisation Reserve; provide an additional contribution to the one-off resources reserve to fund the increase in Concessionary Fares; and to provide an additional contribution to the Strategic Restructuring Fund in line with Council Minute CL120 agreed on 22<sup>nd</sup> February 2012.

Throughout the year CLT has maintained efforts to cut costs, avoid unnecessary expenditure and bring forward the implementation of savings proposals. The impact of this can be seen in the level of underspend now reported. Assuming that nothing substantially changes throughout the audit of the Statement of Accounts, this will allow the contribution to the Redundancy and Reorganisation Reserve to remain sufficient to address the forecast redundancies in 2011/12.

The overall impact of this outturn position produces a closing position of £7.014m on General Fund Balances as at 31<sup>st</sup> March 2011.

The outturn on the HRA is an overspend of £2.492m, which results in a reserve balance at the end of March 2011 of £3.566m.

The outturn position for the Dedicated Schools Grant is an underspend of £0.537m.

The Capital outturn is £62.483m which represents an underspend of (£8.225m) against the latest spend approval, most of this is due to delays in projects and resources will be slipped into 2011/12.

The table on the following page details the over and underspends by Directorate.

## EXPLANATORY FOREWORD

	Revised Budget £'000	Outturn £'000	(Under)\Overspends £'000	%
Children & Young Peoples Service	62,499	62,540	41	0.1%
Organisational Transformation	48,710	48,954	244	0.5%
Community Wellbeing	79,099	78,801	(298)	(0.4%)
Chief Executive	5,709	6,005	296	5.2%
Resources	8,214	6,325	(1,889)	(23.0%)
Workforce Efficiencies	(82)	(5)	77	(93.9%)
Reduction in Area Based Grant	0	370	370	0.0%
<b>Net Operating Expenditure</b>	<b>204,149</b>	<b>202,990</b>	<b>(1,159)</b>	
<b>Corporate Items</b>				
Levies	439	439	0	0.0%
Debt Financing and Interest Charges	21,494	21,002	(492)	(2.3%)
Sustainability Items	1,200	1,200	0	0.0%
Other Efficiencies	(508)	(495)	13	(2.6%)
Asset Rental	(32,862)	(32,961)	(99)	0.3%
<b>Projected Outturn Position</b>	<b>193,912</b>	<b>192,175</b>	<b>(1,737)</b>	
<b>Resources</b>				
NNDR	(76,224)	(76,224)	0	0.0%
Revenue Support Grant	(11,068)	(11,068)	0	0.0%
Area Based Grant	(14,873)	(14,939)	(66)	0.4%
Council Tax	(91,266)	(91,266)	0	0.0%
Reserves inc. LABGI	(481)	1,277	1,758	(365.5%)
<b>Total Resources Available</b>	<b>(193,912)</b>	<b>(192,220)</b>	<b>1,692</b>	
<b>(Addition)/Reduction in General Fund</b>	<b>0</b>	<b>(45)</b>	<b>(45)</b>	
General Fund Balance 1st April 2010			(6,969)	
<b>General Fund Balance 31st March 2011</b>			<b>(7,014)</b>	

Significant variations for each directorate are detailed in the paragraphs that follow.

### Children and Young People's Service

The main areas in the Children and Young People's Service where overspending occurred relate to the increase in demand for social care placements and services, including; an increase in in-house fostering maintenance payments £253k; continued high levels of external independent fostering placements £509k, an increase in Adoptions payments £95k, high agency staff costs due to social worker vacancies and difficulties in recruitment £432k, an overspend on legal advice and court costs £178k and Resources Panel costs of £212k. There is also an overspend in Home to School Transport of £311k due to increased demand for the service.

These were offset by staff savings across the Directorate; including reduced staffing requirements in nurseries as less children took up sessions (£160k) and the part funding of three nurseries which are attached to children's centres through Sure Start, Early Years and Childcare Grant (£100k).

The Early Years and Extended Schools team have met some costs through the Sure Start Early Years and Childcare Grant of (£257k). Other savings

---

## EXPLANATORY FOREWORD

---

were identified in the maintenance of costs of the Integrated Children's System (£72k), the release of funding from the Improvement Fund (£153k), a planned reduction in Service Development contracts (£141k) and Health and Social Care Commissioning savings of (£168k) where the Think Family Grant had not been fully committed.

The Directorate also held vacancies to create underspends in School Improvement (£572k), Integrated Youth Support Services (£204k), Furze House and Westminster Drive (£146k).

### **Organisational Transformation**

The Organisational Transformation Directorate has faced pressures during the year due to; a contribution to reserves of £200k for the proposed rollover for East to West Rail for feasibility work; £321k estimated reduction in the level of fees which is reflected in the forecast spend in capital for work on the Transport Strategy; and the additional demand for concessionary travel £520k. Transport Highways Network Management is reporting a pressure of £211k for staff costs and the additional work at Secklow Bridge adds a further pressure of £211k.

The adverse winter weather conditions has resulted in an overspend on winter maintenance £402k and an additional cost of £342k due to an increased number of insurance claims. In addition, expenditure on pothole repairs has resulted in an overspend of £536k which is partially offset by grant funding of (£413k).

These pressures have been offset by a variety of savings across the Directorate including; (£126k) saving on Community Transport and (£180k) reduction in the Thames Valley Safer Roads Partnership contribution; (£230k) underspend on Landfill Allowances within Environment and Waste, savings on budgets for special projects within Environmental Services (£128), additional income within Neighbourhood Management (£237k), (£200k) one off funding within Transport Highways Network, (£144k) use of the Parking Reserve to fund CAGOT and cycling; (£263k) additional Section 38/278 income, and a saving of (£246k) on Bus Subsidies through charging more routes to Section 106 recovery of cross-boundary support from Bedfordshire County Council.

Environment and Waste is reporting a saving of (£1,022k) as a result of the impact of new contracts for waste disposal and collection, and an ombudsman inquiry following a dispute with the Open University regarding a crossing on the V11 Tongwell Street has resulted in the creation of a provision of £190k.



# EXPLANATORY FOREWORD

---

## Community Wellbeing

An 'invest to save' initiative to improve intermediate care for Older People, resulted in an underspend of (£331k) in residential and nursing care. This was offset by an increase in client unit costs and loss of Independent Living Fund £322k, due to a change in national policy, for people with physical disabilities.

Adult Social Care also saw an increase in direct payment clients within Learning Disability £106k and an increase in Supported Living clients and migration of clients from Residential Care £631k offset by linked savings in Residential Care (£838k).

A £200k reserve has been created to assist with potential demand led issues and Housing General Fund Bed and Breakfast Accommodation overspent by £154k in respect of people who would otherwise be homeless.

These Directorate pressures have been offset by the Campus Closure Grant (£100k) which was not committed.

Within Regulatory Services, unachievable Building Control income due to the economic downturn resulted in an overspend of £148k but was offset by additional taxi licensing income (£154k) and staff savings of (£182k) in Environmental Health.

## Resources

Within Revenues and Benefits, further recovery of overpaid housing benefits (£678k) and Council Tax benefits (£319k), the release of the 2008/09 reserve (£119k), net improvements to 2010/11 subsidy recoverable (£219k) and additional administration subsidy of (£145k) offset the contributions made to the Benefits Reserve for potential liabilities related to the audit of the £340k 2010/11 claim. Revenues and Benefits Administration are also showing additional court cost income (£108k) and underspends on professional services of (£62k).

Partnership Delivery saw increased costs due to the Working Better Together programme £324k and the settlement of prior year volumetric claims for IT £391k and additional IT volumetric payments of £285k. A volumetric for SAP Supplier Relationship Management (SRM) has reduced from £100k to £20k. This SAP module provides an integrated offering for automating goods and services and procure-to-pay processes. These overspends are offset by a (£104k) pension adjustment and an underspend on salaries of (£77k).

Property shows an underspend of (£377k) due to the impact of a backdated rent review (£155k) and additional rateable value savings of (£238k), offset by reduced capitalisation of costs for the western expansion area £49k. In addition, Facilities and Admin Buildings have secured savings on utility costs of (£116k).

---

## EXPLANATORY FOREWORD

---

Information Technology is reflecting additional telephone and internet resilience costs £100k and the cost of additional Northgate connectors £62k, offset by savings on leasing (£236k) and Internal Audit, Risk Management and Corporate Anti-Fraud is showing savings on salaries (£26k) and the impact of additional schools income (£75k) for insurance.

Strategic Finance shows an underspend of (£390k) due to release of funds from restructuring of budgets and provisions for projects (£720k), offset by the cost of Business Objects licences and software £250k and a number of other smaller variations.

Legal Services is reporting pressures of £245k due to agency costs, offset by (£177k) due to over-recovery of internal fees (£339k), staff vacancy savings of (£167k) and recovery of costs for the Waste Support Officer (£76k).

### **Chief Executive**

Democratic Services have achieved savings due to vacancies (£50k) and an underspend on the Members Ward Initiative (£46k). Local Elections have reported savings of (£39k) due to sharing of costs with the General Election

Planning and Growth is reporting a reduction in grant from the Housing and Communities Agency £215k, unachieved land charges income due to downturn in economy and charges for personal search fees offset by the use of one-off reserves £139k. These pressures are offset by (£111k) insurance savings and (£112k) supplies and services savings in Development Control and Spatial Planning.

Following a court decision in March 2011 deeming that the previously statutory fees were illegal, it has been necessary to create a provision of £212k for the potential refund of personal search income received over the last six years.

Variations between latest outturns and latest approved budgets are monitored on a monthly basis and are reported to Members throughout the year.

Further information on the overall financial performance of the council in 2010/11 is disclosed in the Comprehensive Income and Expenditure Statement and the notes to the Financial Statements.

### **b) Housing Revenue Account Outturn**

The outturn position for the HRA shows an in year overspend of £2.088m. This is offset by the level of reserve brought forward being £1.3m better than budgeted (due to the movements in the final outturn position for 2009/10 becoming known after the budget for 2010/11 had been set).

The impact of this outturn reduces the HRA reserve to £3.566m at the end of 2010/11 compared to a budgeted revenue position of £4.325m and a prudent

## EXPLANATORY FOREWORD

---

minimum level of reserve of £3.100m. The main variances in the HRA are set out below.

Works and surveys required under the 2010 Asbestos Regulation changes have resulted in a projected overspend of £982k on contractor assigned work. This has been offset by efficiency negotiations with the four major contractors resulting in reducing costs by (£213k). Uncommitted balances of (£942k) have been released to fund the asbestos and repairs works.

Expenditure on empty properties based on current trends is (£684k) below contractor assigned budgets.

Additional commercial income of (£122k) is forecast resulting from recovery of prior year under-charging and on charging for St George's Hostel – both of which were previously un-budgeted. An underspend in the water hygiene budget of (£110k) is due to effective cleaning and monitoring of communal water systems and further communal cleaning savings of (£241k) have been achieved in Special Services.

A Revenue Contributions to Capital Outlay £750k includes funding for the decision to commence the works on OAP windows (£150k) and the completion of works on Decent Homes.

Other significant variations include; additional management costs (above the unitary charge) of £166k resulting from the volume of asbestos works and surveys, (£142k) surveyor capitalisation surplus resulting from the budget for 2010/11 reflecting 2009/10 capital programme rather than the larger 2010/11 programme and a projected surplus of (£158k) within professional services across HRA functions.

A Revenue Contribution to Capital of £3.3m reflects an estimated contribution to the E-ON Community Energy Saving Programme (CESP) and another major fire safety project.

A review of the Bad Debt Provision under the revised requirements of International Financial Reporting Standards has resulted in a reduction in necessary provision of (£124k).

Further information on the overall financial performance of the Housing Revenue Account in 2010/11 is disclosed in the notes to the Supplementary Financial Statements.

---

## EXPLANATORY FOREWORD

---

### 3. INCOME FROM GRANTS, LOCAL TAX PAYERS AND OTHER SOURCES

The net budget requirement was financed from four main sources:

- Redistributed Non-Domestic Rates (£76.225m)  
NNDR is the amount raised from businesses collected locally but re-distributed nationally;
- Revenue Support Grant (RSG) (£111.069m)  
RSG is one of the two main non-specific grants from central government;
- Area Based Grant (ABG) (£14.939m)  
ABG is the other main non-specific grant from central government;
- Council Tax (£91.266m)  
This is the means of raising money locally, based upon the value of domestic property and is adjusted for the previous year's surplus or deficit on collection.

In addition, some services receive specific grants, which are included in their separate budgets. There are conditions attached to many of these grants, which set out how, when and on what service or activity the grant may be spent.

Since 1<sup>st</sup> April 2007 Schools services have been funded through the Dedicated Schools Grant (DSG). For 2010/11 the council received £159.8m in DSG funding. This funding was previously provided through the RSG and NNDR.

A list of the grants the council received in 2010/11 can be found at note 19 to the Financial Statements.

### 4. PENSION LIABILITY

The council is a member of the Local Government Pension Scheme administered by Buckinghamshire County Council.

The council's financial statements in accordance with the proper accounting practice show a pension liability at 31<sup>st</sup> March 2011 of £142.165m, which is a decrease of £121.630m since 2009/10.

In practice, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be funded through reassessment of employer's contributions as a result of the three-yearly fund valuations by the actuary. This is done in accordance with the appropriate International Financial Reporting Standard (IAS) 19.

---

## EXPLANATORY FOREWORD

---

Full details of the Local Government Pension Scheme can be found in note 55 to the Financial Statements.

### **5. MATERIAL OR UNUSUAL CHARGES OR CREDITS TO THE ACCOUNTS, ASSETS ACQUIRED OR LIABILITIES INCURRED**

The following transactions are considered to be material or unusual charges or credits within the 2010/11 Statement of Accounts:

£2,654,000 receipt from part of the sale of land at Radcliffe Schools to David Wilson Homes to cover various monies owed to the council. The balance will be used to fund various future commitments under the deal to ensure that funds are available to meet the next tranche of payments in 2012/13.

The council's pension liability has decreased by £121.630m. Further details can found in note 4 to the Foreword and the Local Government Pension Scheme note 55 to the Financial Statements.

Major non-current asset disposals during the year include the transfer of the new Olney and Oxley Park Schools to Foundation status, totalling £9.607m and a gain on disposal for the sale of the residential land at Bletchley Leisure Centre as part of the redevelopment of the Bletchley Leisure Centre site, totalling (£5.509m).

Details of major non-current asset disposals can be found in note 3 to the Foreword.

£625,000 Exceptional item has been disclosed in 2010/11 which relates to the transfer of the Procurement Service from Mouchel to Milton Keynes Council to make improvements and to coordinate a more strategic approach to procurement. Further details can be found in note 8 to the Financial Statements.

### **6. SIGNIFICANT CHANGE IN ACCOUNTING POLICY**

The council is required to prepare the 2010/11 accounts in compliance with International Financial Reporting Standards. This requires a number of changes in order to comply with the International Financial Reporting Standards Code of Practice.

Key changes are as follows:

- In accordance with IAS 7, cash and cash equivalents now include investments held for cashflow purposes that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant change in value totalling £8,640,000 in 2010/11. For the 2009/10 comparator, the adjustment totalled £10,985,000;
- In accordance with IAS37, provisions have been split to show the value of long and short term balances. Short term provisions are

## EXPLANATORY FOREWORD

---

those which are likely to be used within 12 months, and long term provisions are those with an estimated life of 12 months or more. Therefore provisions totalling £551,000 and £140,000 have been reclassified as short term for 2010/11 and 2009/10 respectively;

- In accordance with IAS1, reserves have been presented to represent those which are usable by the authority and those which are unusable such as the Capital Adjustment Account, Revaluation Reserve, Pension Reserve and Collection Fund;
- In accordance with IAS17, leases have been analysed to separate out any that fall within the IFRS definition of a finance lease and are treated separately in the accounts. For further details please see Accounting Policy note 22;
- In accordance with IAS19, employee benefits such as annual leave and flexi time accrued at 31<sup>st</sup> March each year are required to be recognised in the year in which they are taken by the employee and therefore are treated as a short term creditor in the Balance Sheet. The general fund accrual calculated for 2010/11 totalled £910,000 (£1,104,000 in 2009/10) and Teachers Pay accrual totalled £4,801,000 (£5,272,000 in 2009/10);
- In accordance with IAS16, fixed assets are now known as Non-Current Assets and IFRS requires that a fair value basis of valuation is applied to certain classes of asset. Full details can be found in the Accounting Policy note 25;
- In accordance with IFRS5, a new balance sheet classification for Assets Held for Sale is required under IFRS and the Code requires that assets falling within this classification are those whose carrying amount will be recovered principally through a sale transaction rather than continued use. The total value of assets reclassified for 2010/11 was £907,000 and for 2009/10 was £6,669,000.
- In accordance with IAS 16 were an item of Property, Plant and Equipment asset that has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

### 7. BORROWING FACILITIES

During 2010/11 no new loans to fund expenditure on capital projects were taken. At the end of the financial year the council had outstanding borrowing in respect of the funding of capital projects of £300.557m. Further details of the composition of this sum can be found in the note 40 to the Financial Statements.

It was not necessary, during the year, for the council to borrow temporary funds for cash flow purposes. Consequently, there were no temporary loans outstanding at 31<sup>st</sup> March 2011.

At the 31<sup>st</sup> March 2011, the council had £81.073m invested with various financial institutions, of this amount £8.640m has been classified as cash equivalents as per the Accounting Policy note 7.

---

## EXPLANATORY FOREWORD

---

### **8. INTERNAL AND EXTERNAL SOURCES OF FINANCE TO FUND CAPITAL EXPENDITURE PLANS AND FINANCIAL COMMITMENTS**

The council's total capital expenditure for 2010/11 including amounts accrued for works completed but not paid for at 31<sup>st</sup> March 2011 was £62,719,000 (£87,899,000 in 2009/10).

The sources of finance to fund this expenditure included grants and contributions of £37,684,000 (£52,091,000 in 2009/10), supported borrowing of £14,956,000 (£24,583,000 in 2009/10) and prudential borrowing of £4,037,000 (£7,733,000 in 2009/10). The balance of £6,042,000 (£3,492,000 in 2009/10) came from capital receipts, revenue contributions and finance leases.

Full details of capital expenditure and financing can be found in note 31 to the Financial Statements.

Capital commitments total £4,800,000 and includes 10 new plots at the Fenny Lock traveller site £1,365,000 and a new Crematorium £1,089,000. Full details of the council's capital commitments can be found in note 28 to the Financial Statements.

### **9. SIGNIFICANT PROVISIONS, CONTINGENCIES AND WRITE-OFFS**

The council has two significant provisions held on the Balance Sheet as at 31<sup>st</sup> March 2011:

- Heating and Utilities Provision – This has been set aside to cover the cost of potential refunds to sheltered area tenants and leaseholders in respect of over recovered utility costs, and;
- Overpaid Benefit Provision – The council has created this provision to meet the cost of any overpaid housing benefits currently recovered through a reduction in ongoing benefit payments, which becomes unrecoverable due to a change in tenant circumstances.

The council discloses a number of contingent gains and losses in note 54 to the Financial Statements. The most significant issues resulting in contingencies relate to cost over-runs on the build of Calverton Traveller Site and a contingent gain in respect of the sale price of land connected with the Radcliffe School and council land sale including overage payments.

There have been no significant write offs during 2010/11.



## **EXPLANATORY FOREWORD**

---

### **10. IMPACT OF CURRENT ECONOMIC CLIMATE**

Two key areas affected by the economic downturn are housing asset valuations and a decline in the growth of the Council Tax base.

The reduction in Housing Asset Valuations was recognised in an 18.9% deflation adjustment to 2008/09 based upon Housing Price Index data for Milton Keynes. A review of the same data indicates that land values have stabilised and that no further adjustment is necessary for 2010/11.

The tax base calculations for forthcoming years take prudent account of the decline in the level of house-building.

### **11. PROCUREMENT OF SERVICES**

The council entered into a long term (twelve year) contract with Hyder Business Services (HBS), now trading as Mouchel Business Services, with effect from 1<sup>st</sup> January 2004 to provide a wide range of functions across eighteen service streams including Finance, Human Resources, IT, Revenues and Benefits. The council has retained a client/core team for these functions and a team has been created to monitor the overall performance of the contract.

As the contract is in its 7<sup>th</sup> year the council and Mouchel Business Services are reviewing the current contract specification to identify areas of the working arrangements that would benefit from a refresh.

Full details of all long term contracts, including further details of the contract with Mouchel, can be found in note 49 to the Financial Statements.



# STATEMENT OF RESPONSIBILITIES

---

## 1. THE COUNCIL'S RESPONSIBILITIES

The council is required:

- a) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Chief Finance Officer;
- b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- c) to approve a statement of accounts.

On behalf of the council:

Councillor Brian White  
Chair of the Audit Committee

## 2. THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

The Chief Finance Officer is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Chief Finance Officer has:

- a) selected suitable accounting policies and then applied them consistently;
- b) made judgements and estimates that were reasonable and prudent;
- c) complied with the Local Authority Code.

The Chief Finance Officer has also:

- a) kept proper accounting records which are up to date;
- b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts provides a true and fair view of the council's financial position of the authority at the reporting date, and of its income and expenditure for the year ended 31<sup>st</sup> March 2011.

Tim Hannam  
Corporate Director - Resources  
Date:

# ACCOUNTING POLICIES

---

## 1. GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2010/11 financial year and its position at the year-end of 31<sup>st</sup> March 2011. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice (BVACOP) 2010/11 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 Act.

The accounting policies have been applied consistently in dealing with items considered material to present a true and fair view of the financial position and transactions of the council.

## 2. ACQUIRED AND DISCONTINUED OPERATIONS

IFRS5 defines a discontinued operation as a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents either a separate major line of business or a geographical area of operations, and
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

The surplus or deficit on discontinuing the operation should be presented as a single amount on the face of the Comprehensive Income and Expenditure Statement.

Detailed disclosure of revenue, expenses, surplus or deficit and related items is required to be presented as a note to the Financial Statements.

There were no operations discontinued or acquired during 2010/11 and therefore no disclosures required.

## 3. ACCRUALS OF EXPENDITURE AND INCOME

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the

## ACCOUNTING POLICIES

---

transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Payment of wages to weekly paid employees is included in the accounts on the basis of a 52-week year, except in the case of Homecare staff where wages have been accrued. This accounting treatment, other than in respect of Homecare staff, is not in accordance with the Code of Practice, although any difference is not considered material. Similarly, issues from the council's stores and all other internal recharging systems have been treated in the same way.

### 4. AREA BASED GRANT

Area Based Grant (ABG) is a non-ring-fenced grant, with no conditions imposed upon its use as part of the grant determination. This ensures that the council has full control over how the funding can be used. The ABG is paid directly to the authority that benefits from the grant, rather than being paid to the upper-tier authority with an area, who would act as the accountable body for onward distributions.

ABG is included in the Comprehensive Income and Expenditure Statement with other general income sources, such as income from the Collection Fund and Non-Domestic Rate Distribution. A breakdown of general grant income by type can be found in note 19 to the Financial Statements.

### 5. BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

The council has no current claims in respect of Equal Pay legislation, and therefore no provision has been made. However, the issue is disclosed as a contingent liability in note 54 to the Financial Statements.

---

## ACCOUNTING POLICIES

---

### 6. CAPITAL RECEIPTS

Receipts from the sale of assets are recorded in the accounts in accordance with normal accounting practice.

Under new regulations introduced from April 2004 the council is required to pay a percentage of receipts from the sale of housing assets to the Department for Communities and Local Government. This percentage is 75% for dwellings and 50% for any other interest in housing land.

### 7. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits held for cashflow purposes with any financial institution, repayable without penalty, on notice of not more than 24 hours.

Cash equivalents are investments held for cashflow purposes that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the council's cash management.

### 8. CHARGES TO REVENUE FOR THE USE OF NON-CURRENT ASSETS

Service revenue accounts and support services are debited with the following amounts for all assets used in the provision of their services to record the real cost of holding those assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses and revaluation losses attributable to assets where there are no accumulated gains in the Revaluation Reserve for the specific asset against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The charge made to the Housing Revenue Account is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2010/11.

External interest payable is charged to the Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The council is not required to raise Council Tax to cover depreciation, impairment losses, revaluation losses or amortisations; however, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement calculated in accordance with statutory guidance. Depreciation, impairment and amortisations are

## ACCOUNTING POLICIES

---

therefore replaced by a revenue provision in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

### 9. EMPLOYEE BENEFITS

#### **Short Term Employee Benefits Payable during Employment**

Salaries, wages and employee related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the Financial Statements to the extent that employees are permitted to carry forward leave into the following period.

Untaken leave is accrued on the basis of actual leave untaken at 31<sup>st</sup> March 2011 for non-school staff and a calculation of the accrued benefit for schools staff based on the number of days in each term.

Employees are also entitled to flexi-time and any accrued hours at 31<sup>st</sup> March have been reflected in the accounts on the basis of actual hours accumulated by each employee.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

#### **Post Employment Benefits - Local Government Pension Scheme**

Employees of the council are entitled to become members of one of two separate pension schemes according to the terms of their employment:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE).
- The Local Government Pension Scheme, administered by Buckinghamshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The teachers' scheme is therefore accounted for as if it were a defined contributions scheme; no liability for future payments of benefits is recognised in the Balance Sheet and the Children and Education Services revenue account in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

## ACCOUNTING POLICIES

---

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Buckinghamshire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on a number of assumptions including mortality rates, employee turnover rates, etc, and projected earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% per annum (1.9% real). The discount rate for pension liabilities is calculated using the AA Corporate Bond Rate.

The assets of the Local Government Pension Fund attributable to the council are included in the Balance Sheet at their fair value:

- Quoted Securities – Current Bid Price
- Unquoted Securities – Professional Estimate
- Unlisted Securities – Current Bid Price
- Property – Market Value

The change in the net pension's liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, charged to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement;
- Expected Return on Assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions

## ACCOUNTING POLICIES

---

made at the last actuarial valuation or because the actuary has updated its assumptions, shown as a gain or loss in the Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement;

- Contributions paid to the Buckinghamshire Pension Fund – cash paid as employer's contributions to the pension fund.

The accounting treatment for pensions benefits is in accordance with International Financial Reporting Standard (IAS) 19. This is a complex accounting standard, but it is based on a simple principle – that the council has to account for accumulated retirement benefits earned at the Balance Sheet date, even if the actual benefits are paid out over many years into the future.

These policies reflect the council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund in year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Full disclosures in respect of the Local Government Pension Scheme can be found in note 55 to the Financial Statements.

### **Discretionary Benefits**

The council also has restricted powers to make discretionary awards of retirement benefits in the event of any early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.



# ACCOUNTING POLICIES

---

## 10. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

Events can be classified as adjusting or non-adjusting, with definitions as follows:

- Adjusting - An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the council is not appropriate;
- Non-Adjusting - An event which takes place after the reporting period that is indicative of a condition that arose after the end of the reporting period.

The council discloses details of any such events at note 4 to the Financial Statements.

## 11. EXCEPTIONAL ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if such a degree of prominence is required for a fair view of the accounts. A disclosure note is provided where the authority has any exceptional items in the accounts.

Prior period adjustments that are the result of corrections and adjustments arising from the use of estimates inherent in the accounting process are adjusted in the accounts in the year that they are identified. However, prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and by adjusting the opening balance of reserves for the cumulative effect. Details of any prior period adjustments are fully explained as a note to the accounts where applicable.



# ACCOUNTING POLICIES

---

## 12. FINANCIAL INSTRUMENTS

### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. As most of the council's borrowing is from the Public Works Loan Board for fixed terms at a fixed rate, the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. Where a repurchase has taken place as part of the restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan, and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. In the case of premiums, the cost is spread over the latter of the remaining term of the loan repaid or the remaining term of the replacement loan. In the case of discounts, the income is spread over the shorter of the remaining term of the loan repaid or ten years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Movement in Reserves Statement, taken to or from the Financial Instrument Adjustment Account.

### Debt Redemption

The council sets aside a statutory amount each year from its General Fund revenue account for debt redemption, in the form of a Minimum Revenue Provision, as required by the Local Authority (Capital Finance and Accounting) regulations.

### Minimum Revenue Provision (MRP)

The council has charged the 2010/11 statutory General Fund MRP at 4% of the opening Capital Financing Requirement. For all capital expenditure financed by borrowing incurred before 2009/10 and all subsequent capital expenditure financed by supported borrowing. This is in line with regulations implemented under the Local Government Act 2003.

---

## ACCOUNTING POLICIES

---

These regulations have been supplemented by statutory guidance issued alongside the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The regulations place a duty on local authorities to make a prudent provision for debt redemption. The guidance sets out four options for the calculation of prudent provision, with the first two being available only for supported expenditure. The other two options set out the methods for accounting for self-financed borrowing. The MRP for self-financed capital expenditure incurred in 2008/09 and beyond is calculated in accordance with option 3 under which MRP is made in equal instalments over the expected life of the asset.

The MRP calculation also provides for:

- the repayment of capitalisation directions issued by the Secretary of State in respect of expenditure incurred at Local Government Reorganisation
- an adjustment in respect of commuted payments made to or for the benefit of the council in 1992/93

### **Additional Debt Redemption**

In accordance with the Local Government Act 2003, the council may also choose to further redeem its outstanding loan debt by means of:

- additional revenue contributions
- use of capital receipts
- use of the Major Repairs Allowance

### **Debt Restructuring**

The council has, on occasions when satisfactory market conditions prevail, restructured certain long term loans with the Public Works Loan Board. This results in either a premium being paid or a discount received and these are written down in accordance with current legislation (currently the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007 (Statutory Instrument 2007 No. 573) as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008 No. 414)).

### **Financial Assets**

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

# ACCOUNTING POLICIES

---

## **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where interest relates to 2010/11 which has not been paid by the 31<sup>st</sup> March 2011 this amount has been accrued and can be seen as part of borrowing repayable on demand or within excess of 12 months.

## **Available for sale assets**

The council does not hold any available for sale financial assets.

## **Impairment of Financial Assets**

Where assets are identified as being impaired because of a likelihood arising from a past event that payment due under contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains or losses that arise on the derecognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement.

## **13. FOREIGN CURRENCY TRANSLATION**

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year-end, they would be reconverted at the spot exchange rate at 31<sup>st</sup> March. Resulting gains or losses would be recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

However, in 2010/11 Foreign currency transactions of the council are not considered to be material.

# ACCOUNTING POLICIES

---

## 14. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- The authority will comply with the conditions attached to the payments, and:
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income line (for non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 15. DONATED ASSETS

Donated assets transferred for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet, unless any conditions of the transfer have not been met and the asset is credited to a Donated Assets Account.

## 16. INSURANCE

To obtain insurance cover in the most cost effective manner the council arranges its insurance with a system of internal financing of claims (a substantial policy excess applies) and external cover with a recognised insurance market. Internal funds have been maintained to cover those claims that fall below the policy excess. These funds are based on the total potential liability that could accrue up to 31<sup>st</sup> March 2011. Some risks

## ACCOUNTING POLICIES

---

carry a lower policy excess and claims that fall below this amount are met from revenue as they arise.

External cover is provided by way of premiums paid to the council's Insurers. The nature of risks covered by the internal arrangements is shown below.

<b>Risk</b>	<b>Maximum Cover per Claim</b>
Employers Liability	£50,000 - Amounts in excess of this are covered externally.
Third Party	£50,000 - Amounts in excess of this are covered externally.
Fire Damage	£50,000 - Amounts in excess of this are covered externally.
Loss of School Contents	£50,000 - Amounts in excess of this are covered externally.
Cash Loss	The first £100 is met by the department concerned - amounts in excess of this are covered externally.
Loss of Computers	The first £100 is met by the department concerned - amounts in excess of this are covered externally.

### 17. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. computer software) is capitalised when it will bring benefits to the council for more than one year.

All intangible assets are recognised if it is probable that the expected future benefits attributable to the asset will flow to the council. Internally generated assets are recognised where the required criteria are met in line with the International Financial Reporting Standards Code of Practice.

All intangible assets are included at historic cost and amortised on a straight line basis, over their economic lives from the year following acquisition. The economic lives are reviewed at the end of each reporting period and revised if necessary.

### 18. INTEREST IN COMPANIES

The Comprehensive Income and Expenditure Statement reflects all of the council's revenue activities. The Balance Sheet has been prepared by aggregating the account balances of all of the council's services and funds.

The council has considered whether or not Group Accounts should be prepared and has a significant interest in one company – Connect MK.

The council has no other material interest in companies or other entities that could be regarded as subsidiaries, associates or joint ventures. The council is invited to appoint Members to many entities of local, regional

## ACCOUNTING POLICIES

---

and national significance. These appointments have been examined; together with Members own declarations of interest, along with those of all Assistant Directors, Heads of Service and Corporate Leadership Team. No material reportable interests were identified. Minority interests in companies are detailed in note 50 to the Financial Statements.

Significant contractual relationships are also disclosed in note 49 to the Financial Statements.

### **19. INVENTORIES, WORK IN PROGRESS AND LONG TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the (FIFO/weighted average) costing formula.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

Certain repair works undertaken by the council are rechargeable to private concerns and individuals. Incomplete works and works not yet recharged are accounted for at cost.

### **20. INVESTMENT PROPERTIES**

Investment property is property (land or building, or part of a building, or both) that is held solely to earn rentals or for capital appreciation or both.

An investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the entity, and;
- the cost or fair value of the investment property can be measured reliably.

Investment properties are measured at cost initially. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. After initial recognition, investment properties are measured at fair value. The fair value of an investment property reflects market conditions at the Balance Sheet date. Investment properties are not depreciated but are revalued annually according to market conditions at the end of each year.

### **21. LANDFILL ALLOWANCE SCHEMES**

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. In April 2005 it introduced a trading scheme, which allocates tradable landfill allowances.

---

## ACCOUNTING POLICIES

---

The Landfill Allowances Trading Scheme gives rise to an asset for allowances held; grant income and a liability for actual BMW landfill usage.

Full details of the Landfill Allowances Trading Scheme can be found in note 21 to the Financial Statements.

### 22. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

#### **The Authority as Lessee**

##### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the Lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents (where applicable) are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and:
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).



## ACCOUNTING POLICIES

---

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

### **The Authority as Lessor**

#### Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant, equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and;
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be



## ACCOUNTING POLICIES

---

settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **23. NON-CURRENT ASSETS HELD FOR SALE**

### **Recognition and measurement:**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

For council assets to be classified as 'held for sale' strict criteria are met in line with the International Financial Reporting Standards Code of Practice:

- the asset is available for sale in its present condition
- the sale is highly probable
- the asset is being actively marketed for a sale price that is reasonable in relation to its current fair value
- the sale is expected to qualify for recognition as a completed sale within one year of classification as held for sale and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets held for sale are measured at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date. Depreciation is not charged on assets held for sale.

## ACCOUNTING POLICIES

---

Where the definition of assets held for sale or investment property is not met by assets that are surplus to the service needs, the assets will be held as a 'surplus assets' under Property, Plant and Equipment.

### 24. OVERHEADS

The costs of both centrally and departmentally provided overheads (i.e. management and administration costs) and support services are fully recharged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010 (BVACOP) including an amount charged to Corporate and Democratic Core. These costs are apportioned using the most appropriate base including employee numbers, accommodation areas and gross or net service expenditure.

Corporate and Democratic Core is defined in the Best Value Accounting Code of Practice and consists of Democratic Representation and Management costs and Corporate Management costs.

The basis of allocations and apportionment of Support Services is as detailed below. The remaining areas were calculated on a time recording basis.

SUPPORT SERVICES	ALLOCATION METHOD
Audit	Gross Income plus gross expenditure
Communications	80% internal: MKC Full Time Equivalents 20% external: Direct charge to Corporate and Democratic Core
Customer Service	MKC head count
Facilities	Floor space allocated across central buildings
Finance – Corporate Director	80% corporate democratic core, 20% general finance
Finance - General	Time allocations
Health and Safety	MKC head count
Human Resources - Corporate	20% corporate democratic core, 80% general HR
Human Resources - General	MKC head count
IT general	PCs in use (as per IT inventory)
IT telephony	IP telephones issued to users
Procurement	Budgeted non-payroll expenditure for the year
Partnership	PPP plus agreed/expected changes
Policy and Performance	20% CDC, 80% MKC head count

# ACCOUNTING POLICIES

---

## 25. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the provision of services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

### **Recognition:**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides last for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

### **Measurement:**

Assets are carried in the Balance Sheet using the following measurement bases and with a de minimus level of £10,000.

Infrastructure, community assets and assets under construction (excluding investment property) are measured at historical cost. All other classes of asset, including surplus assets, are measured at fair value. Specialist properties are valued using depreciated replacement cost. The fair value of council dwellings are measured using existing use value – social housing.

Assets included in the Balance Sheet at carrying amount are revalued where there have been material changes in the value, but as a minimum every five years.

### **Estimation Techniques:**

The accounting policy specifies the basis on which an item is measured. However, where there is uncertainty over the monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves the amount is arrived at using an estimation technique that most closely reflects the economic reality of the transaction.

### **Disposals:**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying amount of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The usable proportion of Housing capital receipts is net of claw back payments to the Homes and Communities Agency on former Milton Keynes Development Corporation properties and

## ACCOUNTING POLICIES

---

net of amounts subject to pooling arrangements under the Local Government Act 2003. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Movement in Reserves Statement.

The net cost of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

### **Impairment:**

At the end of each reporting period an assessment is undertaken to determine whether there is any indication that assets may be impaired.

If any indication exists, the recoverable amount is estimated having regard to the concept of materiality in identifying whether the recoverable of any specific asset needs to be estimated.

All impairment losses on re-valued assets are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Any excess is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

### **Impairment Losses and Revaluation Losses:**

A clear distinction is made between impairment losses and revaluation losses.

Impairment losses are losses attributable to consumption of economic benefit or a fall in prices that are specific to an asset.

Revaluation losses are any related losses attributable to a general fall in prices that are not specific to an asset.

As with impairment losses, the relevant service revenue account will be charged when the balance on the Revaluation Reserve for any specific asset has been used in full against the relevant revaluation loss.

### **Depreciation:**

Depreciation is provided for on all assets with a determinable finite life (except for investment properties and assets held for sale), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is provided in accordance with the following policy on all fixed assets (except for investment properties and assets held for sale) where, at the time of acquisition or revaluation, a finite useful life can be determined:

## ACCOUNTING POLICIES

---

- Newly acquired assets are depreciated from the year following acquisition. Assets in the course of construction are not depreciated until they are brought into use.
- Depreciation is calculated by allocating the costs (or re-valued amounts), less the estimated residual value of the relevant assets, on a straight line basis over their useful economic lives. This is deemed to be the most appropriate method given the nature of the assets held by the council.
- The bases for calculating the lives of different classes of assets at acquisition are as follows:

PPE : Other Buildings, Community Assets and Surplus Assets	60 years life from the completion date
PPE : Council Dwellings	Less than 20 years 20 to 50 years More than 50 years Shared Ownership Dwellings Not Depreciated
PPE : Vehicles, Plant and Equipment	Varies from 3 to 40 years according to the estimated life of each asset
PPE : Infrastructure	40 years in respect of highways, 20 years for other assets
Investment Properties	Not depreciated
Assets Held For Sale	Not depreciated
Land	Not depreciated

- The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life.
- Council dwellings – for Right To Buy council dwellings, depreciation has been calculated in relation to the following categories – less than 20 years, 20 to 50 years and more than 50 years. No depreciation is charged on shared ownership dwellings.
- Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation actually charged on assets and the depreciation that would have been charged based on their historical cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## ACCOUNTING POLICIES

---

### **Revaluation Reserve:**

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation when it was created with a zero balance. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Componentisation:**

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Asset groups have been identified for property (building) assets which categorise assets with similar characteristics into relevant groups for their potential impact on depreciation calculations.

The average net book value (NBV) of each property (building) asset group has been used to set the de minimis threshold level as the table below illustrates.

Average NBV of Asset Group:	De-minimis
Under £500K	£500k
Between £500K - £1.0M	£1.0m
Between £1.0M - £1.5M	£1.5m
Between £1.5M - £2.0M	£2.0m

The average NBV of each asset group has been compared with the materiality table to identify the relevant de minimis level.

The de minimis level of each asset group will be reviewed annually.

Some specialist property sites have no average value calculated for de minimis purposes.

---

## ACCOUNTING POLICIES

---

### 26. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

#### **Landfill Allowances Scheme**

Landfill Allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

# ACCOUNTING POLICIES

---

## **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Contingent Assets**

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assts are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **27. RESERVES**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from revenue to the Balance Sheet. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets (Revaluation Reserve, Capital Adjustment Account and retirement benefits) and do not represent usable resources for the council – these reserves are explained in the relevant policies below and note 43 to the Financial Statements.



## ACCOUNTING POLICIES

---

### **28. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a fixed asset is charged as expenditure to the relevant service revenue account through the Surplus or Deficit on the Provision of Services. Where the council has determined to meet the cost of this expenditure from the existing capital resources or by borrowing, this is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Movement in Reserves Statement ensuring there is no impact on the level of Council Tax. Types of expenditure in this category include improvement grants to owner-occupiers to improve the quality of the housing stock in the area.

### **29. VALUE ADDED TAX**

Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to Her Majesty's Revenue and Customs (HMRC) and VAT paid is recoverable from HMRC.

Where VAT is not recoverable, it is charged to the appropriate service within the Cost of Services in the Comprehensive Income and Expenditure Statement.

# FINANCIAL STATEMENTS

## 1. MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Schools Balances Reserve £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2010</b>	<b>(6,969)</b>	<b>(14,494)</b>	<b>(9,585)</b>	<b>(6,058)</b>	<b>(1,439)</b>	<b>(14,972)</b>	<b>(5,362)</b>	<b>(58,879)</b>	<b>(543,755)</b>	<b>(602,634)</b>
Surplus or (deficit) on provision of services (accounting basis)	34,015	0	0	132,356	0	0	0	166,371	0	166,371
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	(140,831)	(140,831)
<b>Total Comprehensive Expenditure and Income</b>	<b>34,015</b>	<b>0</b>	<b>0</b>	<b>132,356</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>166,371</b>	<b>(140,831)</b>	<b>25,540</b>
Adjustments between accounting basis & funding basis under regulations	(34,060)	0	0	(129,864)	0	(3,778)	634	(167,068)	160,755	(6,313)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(45)</b>	<b>0</b>	<b>0</b>	<b>2,492</b>	<b>0</b>	<b>(3,778)</b>	<b>634</b>	<b>(697)</b>	<b>19,924</b>	<b>19,227</b>
Transfers to / from Earmarked Reserves	0	(7,282)	433	0	592	0	0	(6,257)	0	(6,257)
<b>Increase / Decrease in Year</b>	<b>(45)</b>	<b>(7,282)</b>	<b>433</b>	<b>2,492</b>	<b>592</b>	<b>(3,778)</b>	<b>634</b>	<b>(6,954)</b>	<b>19,924</b>	<b>12,970</b>
<b>Balance at 31 March 2011</b>	<b>(7,014)</b>	<b>(21,776)</b>	<b>(9,152)</b>	<b>(3,566)</b>	<b>(847)</b>	<b>(18,750)</b>	<b>(4,728)</b>	<b>(65,833)</b>	<b>(523,831)</b>	<b>(589,664)</b>

# FINANCIAL STATEMENTS

## 2. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

31 March 2010			31 March 2011		
Net Exp £'000		Note	Gross Exp £'000	Gross Income £'000	Net Exp £'000
4,103	Central services to the public		23,918	(20,272)	3,646
	Cultural, environmental, regulatory and planning				
60,500	services		66,605	(20,168)	46,437
81,468	Education and children's services		326,118	(249,354)	76,764
15,041	Highways and transport services		29,938	(13,575)	16,363
(37,900)	Local authority housing (HRA)		182,067	(53,731)	128,336
1,733	Other housing services		103,641	(96,344)	7,297
46,001	Adult social care		77,348	(21,823)	55,525
6,157	Corporate and democratic core		5,362	(457)	4,905
1,063	Non distributed costs		749	0	749
<b>178,166</b>	<b>Cost of Services</b>		<b>815,746</b>	<b>(475,724)</b>	<b>340,022</b>
	<b>Other Operating Expenditure</b>				
4,557	Precepts				4,850
411	Levies				439
468	Payment to the Housing Capital Receipt Pool				878
31,025	Gain/Loss on Disposal of non-Current Assets				9,714
<b>36,461</b>	<b>Total Other Operating Expenditure</b>				<b>15,881</b>
	<b>Financing and Investment Income and Expenditure</b>				
16,045	Interest Payable and Similar Charges				15,472
(2,900)	Interest and Investment Income				(1,174)
(503)	Surplus/Deficit on Trading Operations	9			(433)
	Pension Interest Cost and Expected Return on Pension	55			
8,496	Assets				258
0	Exceptional Item				625
<b>21,138</b>	<b>Total Financing and Investment Income and Expenditure</b>				<b>14,748</b>
<b>0</b>	<b>Surplus or Deficit of Discontinued Operations</b>				<b>0</b>
	<b>Taxation and Non-Specific Grant Income</b>				
(93,218)	Council Tax Income	19			(97,786)
(68,548)	Redistributed National Non-Domestic Rate Income	19			(76,225)
(71,203)	Capital Grants & Contributions	19			(3,780)
(27,017)	Non-Ringfenced Government Grants	19			(26,489)
<b>(259,986)</b>	<b>Total Taxation and Non-Specific Grant Income</b>				<b>(204,280)</b>
<b>(24,221)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>166,371</b>
(7,655)	Surplus or deficit on revaluation of fixed assets	43			(4,902)
133,041	Actuarial gains / losses on pension assets / liabilities	55			(135,929)
<b>125,386</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(140,831)</b>
<b>101,165</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>25,540</b>

# FINANCIAL STATEMENTS

## 3. BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2010 £'000		Note	31 March 2011 £'000
1,109,515	Property, Plant & Equipment	22	973,266
20,253	Investment Property	30	20,132
3,776	Intangible Assets	33	3,091
6,669	Non-Current Assets held for sale	34	907
5,000	Long Term Investments	47	5,000
408	Long Term Debtors	36	572
<b>1,145,621</b>	<b>Long Term Assets</b>		<b>1,002,968</b>
60,714	Short Term Investments	47	67,433
297	Inventories	37	869
74,289	Short Term Debtors	38	68,915
11,568	Cash and Cash Equivalents	45	9,593
<b>146,868</b>	<b>Current Assets</b>		<b>146,810</b>
(16,355)	Bank Overdraft	45	(17,613)
(12,353)	Short Term Borrowing	40	(17,353)
(87,472)	Short Term Creditors	39	(84,299)
(140)	Short Term Provisions	41	(551)
0	Short Term Capital Grants Receipts in Advance	42	(6,964)
<b>(116,320)</b>	<b>Current Liabilities</b>		<b>(126,780)</b>
(1,124)	Long Term Provisions	41	(1,380)
(288,204)	Long Term Borrowing	40	(283,204)
(6,687)	Other Long Term Liabilities	48	(5,465)
	Liability Related to Defined Benefit Pension Scheme	55	(142,165)
(263,795)			
(13,725)	Long Term Capital Grants Receipts in Advance	42	(1,120)
<b>(573,535)</b>	<b>Long Term Liabilities</b>		<b>(433,334)</b>
<b>602,634</b>	<b>Net Assets</b>		<b>589,664</b>
58,879	Usable Reserves	43	65,833
543,755	Unusable Reserves	43	523,831
<b>602,634</b>	<b>Total Reserves</b>		<b>589,664</b>

# FINANCIAL STATEMENTS

## 4. CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10 £'000		2010/11 £'000
(24,221)	<b>Net (Surplus) or Deficit on the Provision of Services</b>	166,371
22,938	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(191,979)
(8,456)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(14,069)
<b>(9,739)</b>	<b>Net Cash flow from Operating Activities (Note 46)</b>	<b>(39,677)</b>
	<b><u>Investing Activities</u></b>	
72,579	Purchase of Property, Plant & Equipment, Investment Properties and Intangible Fixed Assets	63,007
5,000	Purchase of short-term and long-term investments	67,287
468	Other payments for investing activities	878
(2,318)	Proceeds of Property, Plant & Equipment, Investment Properties and Intangible Fixed Assets	(10,165)
(23,745)	Proceeds of short-term and long-term investments	(60,240)
(61,596)	Other receipts from investing activities	(34,313)
<b>(9,612)</b>	<b>Net cash flows from investing activities</b>	<b>26,454</b>
	<b><u>Financing Activities</u></b>	
0	Cash receipts of short and long-term borrowing	0
0	Other receipts from financing activities	0
1,515	Cash payments for the reduction of the outstanding liability relating to finance leases and on Balance Sheet PFI Contracts	77
20,000	Repayment of short and long-term borrowing	0
14,075	Other payments for financing activities	16,379
<b>35,590</b>	<b>Net cash flows from financing activities</b>	<b>16,456</b>
<b>16,239</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>3,233</b>
(11,452)	Cash and cash equivalents at the beginning of the reporting period	4,787
<b>4,787</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 45)</b>	<b>8,020</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS1)

IFRS1 First Time Adoption of International Financial Reporting Standards sets out the procedures that the authority must follow when it adopts IFRS for the first time, as the basis for preparing its Financial Statements.

A key requirement of IFRS1 is the explanation of how the authority has reflected the transition from United Kingdom Generally Accepted Accounting Practice (UKGAAP) to IFRS.

a) The tables below present a reconciliation of opening Balance Sheet at 31<sup>st</sup> March 2010 under UKGAAP to IFRS. The authority is required to provide details of all material adjustments that have been made in adopting IFRS for the first time.

	2009/10 UKGAAP	Short Term Investments	Employee Benefits	Short Term Provisions	Asset Classifications	Finance Leases	Capital Grants & Contributions	Impairment, Revaln and Depn	2009/10 IFRS
	£'000	i £'000	ii £'000	iii £'000	iv £'000	v £'000	vi £'000	vii £'000	£'000
Council Dwellings	558,272	0	0	0	(558,272)	0	0	0	0
Other Land and Buildings	378,956	0	0	0	(378,956)	0	0	0	0
Vehicle Plant & Equipment	7,069	0	0	0	(7,069)	0	0	0	0
Infrastructure Assets	103,237	0	0	0	(103,237)	0	0	0	0
Community Assets	266	0	0	0	(266)	0	0	0	0
Fixed Assets in Use/Investment Properties	68,469	0	0	0	(68,469)	0	0	0	0
Fixed Assets Under Construction	23,107	0	0	0	(23,107)	0	0	0	0
<i>Property, Plant &amp; Equipment - New</i>	0	0	0	0	1,114,457	3,344	0	(8,286)	1,109,515
Investment Property	0	0	0	0	20,276	0	0	(23)	20,253
Non Current Assets Held for Sale	0	0	0	0	9,889	0	0	(3,220)	6,669
Intangible Fixed Assets	433	0	0	0	0	3,343	0	0	3,776
Long Term Investments	5,000	0	0	0	0	0	0	0	5,000
Long Term Debtors	408	0	0	0	0	0	0	0	408
<b>Long Term Assets</b>	<b>1,145,217</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,246</b>	<b>6,687</b>	<b>0</b>	<b>(11,529)</b>	<b>1,145,621</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2009/10 UKGAAP	Short Term Investments i	Employee Benefits ii	Short Term Provisions iii	Asset Classifications iv	Finance Leases v	Capital Grants & Contributions vi	Impairment, Revaln and Depn vii	2009/10 IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Long Term Assets (b/fwd from table B)</b>	<b>1,145,217</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,246</b>	<b>6,687</b>	<b>0</b>	<b>(11,529)</b>	<b>1,145,621</b>
Short Term Investments	71,699	(10,985)	0	0	0	0	0	0	60,714
Inventories	297	0	0	0	0	0	0	0	297
Short Term Debtors	74,289	0	0	0	0	0	0	0	74,289
Cash & Cash Equivalents	583	10,985	0	0	0	0	0	0	11,568
<b>Current Assets</b>	<b>146,868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>146,868</b>
Bank Overdraft	(16,355)	0	0	0	0	0	0	0	(16,355)
Short Term Borrowing	(12,353)	0	0	0	0	0	0	0	(12,353)
Short Term Creditors	(81,094)	0	(6,378)	0	0	0	0	0	(87,472)
<i>Current Provisions - New</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(140)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(140)</i>
<b>Total Current Liabilities</b>	<b>(109,802)</b>	<b>0</b>	<b>(6,378)</b>	<b>(140)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(116,320)</b>
Long Term Creditors	0	0	0	0	0	(6,687)	0	0	(6,687)
Non-Current Provisions	(1,264)	0	0	140	0	0	0	0	(1,124)
Long Term Borrowing	(288,204)	0	0	0	0	0	0	0	(288,204)
Other Long Term Liabilities	(366,173)	0	0	0	0	0	102,378	0	(263,795)
<i>Capital Grants Receipts in Advance - New</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(13,725)</i>	<i>0</i>	<i>(13,725)</i>
<b>Long Term Liabilities</b>	<b>(655,641)</b>	<b>0</b>	<b>0</b>	<b>140</b>	<b>0</b>	<b>(6,687)</b>	<b>88,653</b>	<b>0</b>	<b>(573,535)</b>
<b>Total Net Assets</b>	<b>526,642</b>	<b>0</b>	<b>(6,378)</b>	<b>0</b>	<b>5,246</b>	<b>0</b>	<b>88,653</b>	<b>(11,529)</b>	<b>602,634</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2009/10 UKGAAP £'000	Short Term Investments £'000 i	Employee Benefits £'000 ii	Short Term Provisions £'000 iii	Asset Classifica- tions £'000 iv	Finance Leases £'000 v	Capital Grants & Contribu- tions £'000 vi	Impairment, Revaln and Depn £'000 vii	2009/10 IFRS £'000
<b>Unusable Reserves</b>									
Revaluation Reserve	(148,304)	0	0	0	235	0	0	50,858	(97,211)
Capital Adjustment Account	(592,887)	0	0	0	(6,446)	0	(73,681)	(38,364)	(711,378)
Financial Instruments Adjustment Account	446	0	0	0	0	0	0	0	446
Collection Fund Adjustment Account	(430)	0	0	0	0	0	0	0	(430)
Pension Reserve	263,795	0	0	0	0	0	0	0	263,795
Deferred Capital Receipts	(81)	0	0	0	0	0	0	0	(81)
Accumulated Absence Account	0	0	1,104	0	0	0	0	0	1,104
	<b>(477,461)</b>	<b>0</b>	<b>1,104</b>	<b>0</b>	<b>(6,211)</b>	<b>0</b>	<b>(73,681)</b>	<b>12,494</b>	<b>(543,755)</b>
<b>Usable Reserves</b>									
Usable Capital Receipts Reserve	(5,362)	0	0	0	0	0	0	0	(5,362)
Capital Reserve	(883)	0	0	0	0	0	0	0	(883)
Capital Grants Unapplied Reserve	0	0	0	0	0	0	(14,972)	0	(14,972)
Earmarked Reserve	(15,050)	0	0	0	0	0	0	0	(15,050)
General Fund & Non-Earmarked Reserves	(6,969)	0	0	0	0	0	0	0	(6,969)
Housing Revenue Account Balance	(6,058)	0	0	0	0	0	0	0	(6,058)
Schools Reserve	(14,859)	0	5,274	0	0	0	0	0	(9,585)
	<b>(49,181)</b>	<b>0</b>	<b>5,274</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,972)</b>	<b>0</b>	<b>(58,879)</b>
<b>Total Equity</b>	<b>(526,642)</b>	<b>0</b>	<b>6,378</b>	<b>0</b>	<b>(6,211)</b>	<b>0</b>	<b>(88,653)</b>	<b>12,494</b>	<b>(602,634)</b>



# NOTES TO THE FINANCIAL STATEMENTS

---

## Notes:

- i. Short Term Investments – In accordance with IAS7 Cash and Cash Equivalents, short term investment deposits are now classified as cash and cash equivalents rather than as Investments.
- ii. Employee Benefits – This adjustment is required under IAS19 Employee Benefits to ensure that the true cost of employee annual leave and flexi-time is reflected in the annual accounts. Full details of the adjustment are available in note 6 to the Foreword.
- iii. Short Term Provisions – In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, provisions have been reclassified by age, separating those expected to be required for more than 12 months from those that are required for a shorter duration.
- iv. Asset Classifications - The Code has introduced changes in the recognition and measurement basis for tangible assets. Investment Properties are accounted for in accordance with IAS 40. Where the Code definition of an investment property is not met, investment property is reclassified as Property, Plant and Equipment. A new classification of non current assets held for sale has been introduced by the Code in accordance with IFRS 5. Specific criteria apply to this classification. All other tangible assets are classified as Property, Plant and Equipment and accounted for in accordance with IAS 16.
- v. Finance Leases - This adjustment is required under IFRIC4 in order to reflect the reclassification of operating leases which meet the criteria for treatment as a finance lease. Further details can be found in note 6 to the Foreword.
- vi. Capital Grants and Contributions - In accordance with IAS 20 Government and Non Government Grants for capital purposes are recognised immediately, unless any conditions have not been met. Where conditions are outstanding, the creditor account used for grants and contributions is the Capital Grants Receipts In Advance. Grants and contributions deferred are no longer included in the Balance Sheet.
- vii. Impairment, Revaluation and Depreciations
  - Impairments – these are accounted for in accordance with IAS 36. The Code requires all impairment losses on re-valued assets to be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Any remaining impairment loss is recognised in the Comprehensive Income & Expenditure Statement. An impairment loss on a non-revalued asset is recognised in the Comprehensive Income & Expenditure Statement then reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

## NOTES TO THE FINANCIAL STATEMENTS

---

- Revaluation – The Code makes a clear distinction between a revaluation loss (i.e. a general fall in prices across the board that is non specific to an asset) and an impairment loss (i.e. consumption of economic benefit or a fall in prices specific to an asset). It is implicit in the Code that revaluation gains will be used to reverse any previous impairment loss on the same asset charged to the Comprehensive Income & Expenditure Statement.
- Depreciation - The Code does not change the principle of depreciation. However there is an impact upon depreciation charged where assets are carried at re-valued amounts.

## NOTES TO THE FINANCIAL STATEMENTS

- a) The authority must present a reconciliation of total comprehensive income and expenditure for the last UKGAAP Income and Expenditure Account and the opening IFRS Comprehensive Income and Expenditure Statement for 2009/10.

Note	2009/10 UKGAAP	Employee Benefits	Finance Leases	Dep'n & Impairment	Other Misc Items	Unrecog- nised Gains & Losses	Capital Grants & Contributio ns	2009/10 IFRS
	£'000	i £'000	ii £'000	iii £'000	iv £'000	v £'000	vi £'000	£'000
Cost of Services	230,484	962	(1,314)	(51,728)	(238)	0	0	178,166
Other Operating Expenditure	35,769	(2)	(202)	392	0	0	0	35,957
Financing & Investment Income and Expenditure	21,642	0	0	0	0	0	0	21,642
Taxation and Non-Specific Grant Income	(188,783)	0	0	0	0	0	(71,203)	(259,986)
<b>Surplus/Deficit on Provision of Services</b>	<b>99,112</b>	<b>960</b>	<b>(1,516)</b>	<b>(51,336)</b>	<b>(238)</b>	<b>0</b>	<b>(71,203)</b>	<b>(24,221)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	125,386	0	125,386
<b>Total Comprehensive Income and Expenditure</b>	<b>99,112</b>	<b>960</b>	<b>(1,516)</b>	<b>(51,336)</b>	<b>(238)</b>	<b>125,386</b>	<b>(71,203)</b>	<b>101,165</b>

Notes:

- i. Employee Benefits Accrual – This adjustment is required under IAS 19 Employee Benefits to ensure that the true cost of employee annual leave and flexi-time is reflected in the annual accounts. Full details of the adjustment are available in note 6 to the Foreword.
- ii. Finance Leases adjustment – This adjustment is required under IFRIC 4 in order to reflect the reclassification of operating leases which meet the criteria for treatment as a finance lease. Further details can be found in note 6 to the Foreword.
- iii. Impairment, Revaluation and Depreciations
  - Impairments – these are accounted for in accordance with IAS 36. The Code requires all impairment losses on re-valued assets to be recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Any remaining impairment loss is recognised in the Comprehensive Income & Expenditure Statement. An impairment loss on a non-revalued asset is recognised in the Comprehensive Income & Expenditure Statement then reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

## NOTES TO THE FINANCIAL STATEMENTS

---

- Revaluation – The Code makes a clear distinction between a revaluation loss (i.e. a general fall in prices across the board that is non specific to an asset) and an impairment loss (i.e. consumption of economic benefit or a fall in prices specific to an asset). It is implicit in the Code that revaluation gains will be used to reverse any previous impairment loss on the same asset charged to the Comprehensive Income & Expenditure Statement.
  - Depreciation - The Code does not change the principle of depreciation. However there is an impact upon depreciation charged where assets are carried at re-valued amounts.
- iv. Other Miscellaneous items - Impact of late audit adjustments made on an estimated basis under UKGAAP.
- v. Unrecognised Gains and Losses – Under UKGAAP, the authority was required to reconcile the movement in net worth to the surplus or deficit on the Income and Expenditure Account in a Statement of Total Recognised Gains and Losses. In accordance with the requirements of IAS 1 Presentation of the Financial Statements, the Statement of Total Recognised Gains and Losses no longer exists, and the entries now appear as an additional section in the new Comprehensive Income and Expenditure Statement.
- vi. Capital Grants and Contributions - In accordance with IAS 20 Government and Non Government Grants for capital purposes are recognised immediately, unless any conditions have not been met. Where conditions are outstanding, the creditor account used for grants and contributions is the Capital Grants Receipts In Advance. Grants and contributions deferred are no longer included in the Balance Sheet.

### **2. ASSUMPTIONS ABOUT THE FUTURE, OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In the application of the council's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, but will be reflected in both the period in which the revision takes place and future periods should the revision also have an impact on future periods.

#### **Critical Judgements**

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet

## NOTES TO THE FINANCIAL STATEMENTS

---

sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

### **Estimation Uncertainty**

The authority is required to disclose details of all key estimations and assumptions made within the accounts that could result in an uncertainty and could have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### **Identification of items likely to be compiled using estimates**

The accounts are compiled in accordance with statutory guidance for both revenue and capital, and this directs attention to those items that require estimation.

In addition, there are a number of controls in place which ensure that accounting estimates are identified and applied where necessary.

The Financial Procedure Rules underpin the Financial Regulations and both documents provide the framework for the financial administration of the council and set out the processes that need to be followed to ensure that sound financial management is maintained. Within the Financial Procedure Rules, officers are instructed to ensure expenditure and income are properly accounted for during the year, that all goods receipting and raising of debtors is undertaken correctly, and that where necessary estimations may be required.

Managers are provided with a period end check list to ensure that they are familiar with the requirement to ensure that amounts reflected in the accounts are accurate and that where necessary, manual adjustments should be made to reflect the estimated position.

As part of the monthly budget monitoring information prepared for Cabinet consideration, managers are asked to forecast based on their understanding of the areas for which they are responsible. This forecast represents their estimate of how much income and expenditure is not reflected in the accounts to the year end, and helps to ensure that managers are aware of any estimated accruals that may be required at the year end.

The budget monitoring also includes a risk analysis where managers are asked to identify significant issues which could result in a material impact on the council's financial position. Where possible, these risks are disclosed with an estimate of the financial impact, and again, this assists with the identification of estimations and assumptions that may be required at year end.

During the course of the financial year, no circumstances have given rise to the need for the authority to review or compile new accounting estimates of a significant nature, although new provisions for liabilities have been created and these are discussed in greater detail below.

## NOTES TO THE FINANCIAL STATEMENTS

---

The main accounting estimates in application along with the degree of associated estimation uncertainty are as follows:

### **Contingent Assets and Liabilities**

A contingent asset or liability arises where an event has taken place that gives the authority a possible asset or liability whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

For this reason, contingent assets and liabilities do not result in a carrying value on the Balance Sheet.

Details of each contingent asset or liability is provided in note 54 on page 141 and where it is possible to do so, an estimate of the financial impact has been provided. In each case, the basis of estimation is stated within the paragraph itself.

As the values provided do not form part of the Balance Sheet, there is no possibility of a material mis-statement within the accounts as a result of a change in circumstances.

### **Defined Benefit Pension Scheme**

The council participates in the Local Government Pension Scheme (LGPS) which is administered by Buckinghamshire County Council.

The disclosures provided within the Statement of Accounts are taken from the annual Actuary report, provided by Barnett Waddingham and full details of the scheme can be found on page 144.

Assumptions within the Actuary report are based on the Triennial valuation at 31<sup>st</sup> March 2010, allowing for financial assumptions required under IAS 19.

The pension liability of £142.165m is offset by a Pension Reserve of the same value. Both figures are supplied by the Actuary and are outside of the control of the council.

The accuracy of the estimations applied by the actuary can only be checked by completing a full valuation. The actuary states that they are satisfied that the approach of rolling forward the previous valuation data should not produce any material distortions in the results provided that the actual experience of the employer and the Fund has been broadly in line with underlying assumptions, and that the structure of the liabilities is substantially the same as the latest formal valuation.

To calculate the asset share, the actuary has rolled forward the assets allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from the Fund by and in respect of the employer and its employees.

# NOTES TO THE FINANCIAL STATEMENTS

---

## **Long Term Obligations Under a Public Private Partnership**

On 1<sup>st</sup> January 2004, the council entered into a twelve year contract with HBS, now trading as Mouchel Business Services Ltd. Full details of this arrangement are provided in note 49 on page 132 (Long Term Contracts).

The estimate of undischarged obligation under the contract is based on the 2004 price base and calculated on a pro-rata basis. There is no carrying amount on the Balance Sheet as a result of this obligation. The contract is paid through a unitary charge which is a budgeted annual cost and is reflected in the Comprehensive Income and Expenditure Statement as a recharge across relevant services.

## **Landfill Allowance Liability**

The estimated liability is based upon actual tonnages used in Performance Indicator data for the period of April to December 2010 and multiplied against a profile to calculate the estimate for the year. From this, the liability in tonnage for the year is calculated.

This liability is then valued using the average price of a Landfill Allowance Trading Scheme (LATS) permit based upon the valuation provided by DEFRA.

The carrying amount on the Balance Sheet for this liability is £431,000

The actual 2009/10 tonnage was 6,300 less than the estimate, at a value of £11.89 per tonne. This meant that the liability for 2009/10 was over estimated by £74,907.

Each year the liability is recalculated using the same process. This is always discharged once the final tonnage figures are confirmed in September of each following financial year.

## **Annual Leave and Flexi time Accrual**

The cost of annual leave and flexi-time entitlement earned but not taken by employees at the end of the reporting period is recognised in the Financial Statements based on actual leave and flexi-time balances at the 31<sup>st</sup> March 2011.

In respect of schools staff, who do not receive an annual leave or flexi-time allowance, the calculation of benefits due in 2010/11 is based on the number of days in each term.

Using this approach ensures that the liability in the accounts is as accurate as possible; the sensitivity of the resulting carrying amount is therefore low.

The carrying value in the Balance Sheet at 31<sup>st</sup> March 2011 is £0.910m compared with £1.104m in 2009/10 for Milton Keynes Council employees and £4.801m in 2010/11 compared to £5.272m in 2009/10 for Teachers.

# NOTES TO THE FINANCIAL STATEMENTS

---

## Provisions

A provision is created or maintained where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and where a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed on an annual basis, using a best estimate of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The Balance Sheet contains Provisions with a total carrying value of £1.931m at 31<sup>st</sup> March 2011. Full details of each provision including the basis of estimation applied are provided in note 41 on page 100.

## Provision for Impairment of Bad and Doubtful Debts

The council maintains a provision for impairment of bad and doubtful debts in order to ensure that there are sufficient funds available to meet the future cost of any debt that is uncollectible.

The value of the provision is calculated based on a review of all debts and a judgement of the probability of collection for each. Most categories of Local Authority debt are not subject to substantial fluctuation and past experience can be used within material limits to judge the percentage of debt that may not be recovered.

The council evaluates each debt or category of debt by considering the following:

- Any significant financial difficulty for the borrower;
- Any breach of contract or default;
- The authority having granted a concession based on difficulty for the borrower;
- The likelihood of the borrower entering bankruptcy;
- Any observable data indicating a measurable decrease in future estimated cash flows.

To achieve this, all debtors are listed, and any significant items are considered individually. The remaining items are then grouped by similar characteristics, such as type or status, and the level of impairment considered based on historical loss experience and any current factors.

The provision held on the Balance Sheet for this purpose at 31<sup>st</sup> March 2011 is £7.857m. This is reviewed on an annual basis and the provision adjusted accordingly.



# NOTES TO THE FINANCIAL STATEMENTS

---

## **Property, Plant and Equipment and Investment Properties**

The basis of Property, Plant and Equipment valuation is determined according to the guidance within the International Financial reporting Standards Code of Practice and also guidance set out in the Royal Institution of Chartered Surveyors Red Book.

In respect of determining the useful life of property, the council has applied a life of 60 years since 2002, on the basis that this is the widely accepted and adopted useful life used by surveyors for new buildings.

For consistency the authority continues to use this useful life when revaluing a property, either as part of the rolling or end of year program. The remaining life will decrease according to how many years have passed since the last valuation.

Additional data that is used to evaluate Property, Plant and Equipment includes Building Cost Information Service data such as tender price indices and rebuilding costs. Market evidence is also considered.

Percentages for fees and finance charges are based on guidance from quantity surveyors and are consistent across the valuations.

Investment Properties contain less estimation as the valuations are based on the remaining lease term and the actual and/or market rent. An adjustment for realisation costs is made in the valuation to arrive at the net value, and again this approach is consistent.

Depreciation and amortisation are based on the assessment of the period that the asset is expected to be of use to the council; hence the life of the asset is used for this basis.

To identify any impairment, reviews are undertaken of the council's entire portfolio as at 31<sup>st</sup> March each year and any subsequent re-valuations arising from the reviews may indicate where impairment is present.

Full details of Property, Plant and Equipment Valuation can be found in the note 29 to the Financial Statements.

## **Finance lease liabilities**

The key judgement involved in the calculation of the liability resulting from finance leases is that of the useful life of each leased asset. In order to establish the useful life, service users are asked to confirm the useful life remaining and where any uncertainty exists, leasing advisors are consulted.

Each year, the leasing activity of the council is reviewed, resulting in a Balance Sheet carrying value of £5.465m at 31<sup>st</sup> March 2011.

# NOTES TO THE FINANCIAL STATEMENTS

## Measurement of Financial Instrument Fair Values

Borrowing and investments are estimated based on fair value. The calculation is based on net present value which is an estimate of the value of payments due in the future in today's terms.

Balances for borrowings and investments are carried on the Balance Sheet at amortised cost. Fair values are supplied as a note to the Financial Instrument disclosures.

Full details of the Financial Instrument disclosures can be found in note 47 to the Financial Statements.

## 3. MATERIAL ITEMS OF INCOME AND EXPENSE

The following details significant gains and losses within the 2010/11 accounts:

	<b>Total (Gain)/ Loss £'000</b>	<b>Note</b>
<b>Disposals of Items of Property, Plant &amp; Equipment:</b>		
Olney & Oxley Park Schools	9,607	i
Land at Bletchley Leisure Centre	(5,509)	ii
Land Adjacent to Radcliffe School	2,483	iii
Bow Brickhill and Cold Harbour School	2,682	iv
Bracken House	848	v
Other Minor Disposals	(397)	
<b>Total (Gain)/Loss on Disposal of Non-Current Assets</b>	<b>9,714</b>	

Notes:

- i. Olney & Oxley Park Schools gained foundation status in year
- ii. Bletchley Leisure Centre Residential land sale to Gladedale as part of the whole redevelopment of the Bletchley Leisure Centre site.
- iii. Sale of Land adjacent to Radcliffe School to BDW Trading Limited
- iv. Bow Brickhill and Cold Harbour School are faith schools and have been removed from the Balance Sheet following a review
- v. Bracken House has been sold to Argon Housing Association.

There has been no disposal of provisions in 2010/11.

# NOTES TO THE FINANCIAL STATEMENTS

---

## 4. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Corporate Director Resources on 8<sup>th</sup> June 2011. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2011, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

The council has no post Balance Sheet events to disclose for the financial year ending 31<sup>st</sup> March 2011.

## 5. SEGMENTAL REPORTING

### a) Adoption of IFRS8 Operating Segments

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the council Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The selected segments are based on the council's internal management reporting and present an analysis of income and expenditure by Directorate.

### b) Segment Revenue and Expense

The table on the following page shows the revenue and expense of the authority by reporting segment.

## NOTES TO THE FINANCIAL STATEMENTS

2009/10 Total £'000		Chief Executive £'000	Resources £'000	Environ- ment £'000	Community Wellbeing £'000	Children & Young People's Service £'000	Debt Financing £'000	Housing Revenue Account £'000	Schools £'000	Central Resources £'000	2010/11 Total £'000
<b><u>Expenditure</u></b>											
241,351	Employee Costs	4,943	7,131	9,033	28,534	29,163	0	3,344	150,738	0	232,886
57,038	Premises Costs	731	3,108	26,978	2,390	1,145	0	11,337	11,517	0	57,206
18,128	Transport Costs	103	117	11,120	1,571	5,163	0	102	515	0	18,691
179,347	Supplies & Services	2,482	29,305	4,005	18,153	28,664	34,945	29,143	33,367	439	180,503
46,659	Third Party Payments	7	(19)	1	33,150	12,619	0	0	1	18,891	64,650
299,756	Transfer Payments	4	109,831	4	8,561	191,747	0	1,572	0	0	311,719
0	Support Services	1,953	(29,127)	4,004	8,261	9,806	(1,742)	6,809	0	36	0
<b>842,279</b>	<b>TOTAL EXPENDITURE</b>	<b>10,223</b>	<b>120,346</b>	<b>55,145</b>	<b>100,620</b>	<b>278,307</b>	<b>33,203</b>	<b>52,307</b>	<b>196,138</b>	<b>19,366</b>	<b>865,655</b>
<b><u>Income</u></b>											
(553,674)	Government Grants	(2,520)	(110,014)	(1,951)	(3,963)	(223,330)	(4,147)	0	(193,162)	(25,443)	(564,530)
(15,012)	Other Grants & Contributions	(3)	(3,183)	(59)	(8,838)	(926)	0	1	(1,472)	0	(14,480)
(273,434)	Fees & Charges	(1,880)	(3,836)	(15,184)	(19,203)	(7,809)	(11,191)	(53,340)	(6,752)	(175,165)	(294,360)
<b>(842,120)</b>	<b>TOTAL INCOME</b>	<b>(4,403)</b>	<b>(117,033)</b>	<b>(17,194)</b>	<b>(32,004)</b>	<b>(232,065)</b>	<b>(15,338)</b>	<b>(53,339)</b>	<b>(201,386)</b>	<b>(200,608)</b>	<b>(873,370)</b>
333	Contributions to/(Transfer from) Reserves	(499)	31	(70)	267	(969)	3,136	587	613	4,574	7,670
<b>492</b>	<b>NET EXPENDITURE</b>	<b>5,321</b>	<b>3,344</b>	<b>37,881</b>	<b>68,883</b>	<b>45,273</b>	<b>21,001</b>	<b>(445)</b>	<b>(4,635)</b>	<b>(176,668)</b>	<b>(45)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### c) Segment Assets and Liabilities

2009/10 Total		Chief Executive	Resources	Community Wellbeing	Children & Young People's Service	Environ- ment	Debt Financing	HRA	Schools	Central Resources	2010/11 Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Other Information</u></b>											
1,282,075	Segment Assets	17	27,137	115,781	240,884	179,126	102,719	453,411	11,736	5,462	<b>1,136,273</b>
10,954	Unallocated Central Assets	0	0	0	0	0	0	0	0	13,495	<b>13,495</b>
<b><u>1,293,029</u></b>	<b>Consolidated Assets</b>	<b><u>17</u></b>	<b><u>27,137</u></b>	<b><u>115,781</u></b>	<b><u>240,884</u></b>	<b><u>179,126</u></b>	<b><u>102,719</u></b>	<b><u>453,411</u></b>	<b><u>11,736</u></b>	<b><u>18,957</u></b>	<b><u>1,149,768</u></b>
(360,859)	Segment Liabilities	(22,465)	(3,322)	(4,407)	(9,296)	(9,189)	(301,281)	(2,231)	8,347	(2,009)	<b>(345,853)</b>
(329,537)	Unallocated Central Liabilities	0	0	0	0	0	0	0	0	(214,251)	<b>(214,251)</b>
<b><u>(690,396)</u></b>	<b>Consolidated Liabilities</b>	<b><u>(22,465)</u></b>	<b><u>(3,322)</u></b>	<b><u>(4,407)</u></b>	<b><u>(9,296)</u></b>	<b><u>(9,189)</u></b>	<b><u>(301,281)</u></b>	<b><u>(2,231)</u></b>	<b><u>8,347</u></b>	<b><u>(216,260)</u></b>	<b><u>(560,104)</u></b>
<b><u>602,633</u></b>	<b>Net Assets</b>	<b><u>(22,448)</u></b>	<b><u>23,815</u></b>	<b><u>111,374</u></b>	<b><u>231,588</u></b>	<b><u>169,937</u></b>	<b><u>(198,562)</u></b>	<b><u>451,180</u></b>	<b><u>20,083</u></b>	<b><u>(197,303)</u></b>	<b><u>589,664</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### d) Reconciliation between Segmental Reporting and the Comprehensive Income and Expenditure Statement

The table below illustrates how the segmental reporting above reconciles to the Cost of Services reported in the Comprehensive Income and Expenditure Statement, by identifying and illustrating amounts not reflected in either the segmental reporting above or the Comprehensive Income and Expenditure Statement.

2009/10 Net £'000	2010/11 Income £'000	2010/11 Expense £'000	2010/11 Net £'000
<b>492 Net expenditure per Segmental reporting Total</b>	<b>(865,700)</b>	<b>865,655</b>	<b>(45)</b>
<b><i>Amounts not included in the Consolidated Income and Expenditure Statement Cost of Services but included in the Segmental Analysis</i></b>			
15,762 Amortisation, Depreciation & Impairment of non-current assets	0	164,075	164,075
4,872 Revenue Expenditure Funded from Capital Under Statute	0	10,344	10,344
(280) Amount by which council tax income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation.	(1,669)	0	(1,669)
(3) Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	0	7	7
7,293 Pensions contributions payable less net charges made for retirement benefits in accordance with IAS19	0	14,299	14,299
(9,345) Minimum Revenue Provision	0	(10,421)	(10,421)
(3,025) Major Repairs Allowance	0	3,750	3,750
(2,076) Capital Expenditure charged to the General Fund Balance	0	(7,111)	(7,111)
85 Housing Revenue Account Balance	2,492	0	2,492
(1,959) Voluntary Additional Payment in respect of Local Government Reorganisation Debt	0	(1,959)	(1,959)
3,674 Net transfer to/from Earmarked Reserves	(22,369)	3,700	(18,669)
Transfer to/from Major Repairs Reserve	0	686	686
Exceptional Item	0	(625)	(625)
(4,557) Parish Precepts	0	(4,850)	(4,850)
(411) Levies	0	(439)	(439)
503 Surplus/Deficit on Trading Operations	18,897	(18,464)	433
(16,045) Interest Payments	0	(15,472)	(15,472)
2,900 Interest & Investment Income	1,174	0	1,174
(8,496) Pensions Cost Calculated in Accordance with IAS19	0	(258)	(258)
188,783 Taxation and Non-Specific Grant Income	204,280	0	204,280
<b>177,675</b>	<b>202,805</b>	<b>137,262</b>	<b>340,067</b>
<b>Consolidated Income and Expenditure Statement Cost of Services</b>			
<b>178,167</b>	<b>(662,895)</b>	<b>1,002,917</b>	<b>340,022</b>

## NOTES TO THE FINANCIAL STATEMENTS

### e) A reconciliation between the internal segmental reporting analysis and total income and expenditure

	Amounts Reported for Resource Allocation Decisions £'000	Amounts not reported to management in decision making £'000	Amounts not included in the Comp Income & Expenditure Statement £'000	Cost of Services £'000	Corporate Amounts £'000	Surplus/ Deficit on Provision of Services £'000
<b><u>Expenditure</u></b>						
Employee Expenses	232,886	0	0	232,886	0	232,886
Other service expenses	623,088	10,344	(8,175)	625,257	0	625,257
Support Service Recharges	0	0	0	0	0	0
Depreciation, Amortisation & Impairment	0	164,076	(10,421)	153,655	0	153,655
Interest Payments	17,351	0	0	17,351	0	17,351
Payments to the Housing Capital Receipts Pool	0	0	0	0	878	878
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	9,714	9,714
<b>TOTAL EXPENDITURE</b>	<b>873,325</b>	<b>174,420</b>	<b>(18,596)</b>	<b>1,029,149</b>	<b>10,592</b>	<b>1,039,741</b>
<b><u>Income</u></b>						
Government Grants	(462,964)	0	0	(462,964)	0	(462,964)
Other Grants & Contributions	(14,482)	0	0	(14,482)	0	(14,482)
Capital Grants & Contributions	(3,780)	0	0	(3,780)	0	(3,780)
Fees & Charges	(291,305)	0	0	(291,305)	0	(291,305)
Interest and Investment Income	(3,053)	0	0	(3,053)	0	(3,053)
Income from Council Tax	(97,786)	0	0	(97,786)	0	(97,786)
<b>TOTAL INCOME</b>	<b>(873,370)</b>	<b>0</b>	<b>0</b>	<b>(873,370)</b>	<b>0</b>	<b>(873,370)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(45)</b>	<b>174,420</b>	<b>(18,596)</b>	<b>155,779</b>	<b>10,592</b>	<b>166,371</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

	Usable Reserves				Movement in Unusable Reserves  £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>					
Charges for depreciation and impairment of non-current assets	(28,374)	(134,934)	0	0	32,448
Revaluation Losses on Property, Plant and Equipment	0	0	0	0	138,701
Movements in the market value of investment properties	0	0	0	0	0
Amortisation of intangible fixed assets	(743)	(25)	0	0	768
Capital grants and contributions applied	0	0	0	0	(25,236)
Movement in the donated assets account					
Revenue Expenditure Funded from Capital Under Statute	(9,585)	(759)	0	0	10,344
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,946)	232	0	0	19,824
Use of the Major Repairs Reserve to finance new capital expenditure	0	(4,436)	0	0	(4,897)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Minimum Revenue Provision	10,421	0	0	0	(10,421)
Capital expenditure charged against the General Fund and HRA balance	217	6,894	0	0	(3,349)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants unapplied transferred to the Capital Grants Unapplied Account where grant conditions have been satisfied	0	0	0	(3,778)	0



# NOTES TO THE FINANCIAL STATEMENTS

	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(10,164)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,660	0	(1,660)
Contribution from the Capital Receipts Reserve towards administrative costs if non-current asset disposals	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(878)	0	878	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	8,260	0	0
<b>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	(8,253)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	36	(43)	0	0	50
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(29,142)	(921)	0	0	30,063
Employers pensions contributions and direct payments to pensioners payable in year	15,281	483	0	0	(15,764)

## NOTES TO THE FINANCIAL STATEMENTS

	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,669	0	0	0	(1,669)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	0	0	(194)
<b>Adjustments in respect of Local Government Reorganisation:</b>					
Voluntary additional payment of LGR Debt	1,959	0	0	0	0
<b>Adjustments in respect of Earmarked Reserves:</b>					
Appropriations to/from earmarked reserves	15,025	3,645	0	0	0
<b>Total Adjustments</b>	<b>(34,060)</b>	<b>(129,864)</b>	<b>634</b>	<b>(3,778)</b>	<b>160,755</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 7. TRANSFERS TO/ FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund and Housing Revenue Account expenditure in 2010/11.

	Balance at 31 Mar 2010 £'000	Transfers From 2010/11 £'000	Transfers to 2010/11 £'000	Balance at 31 Mar 2011 £'000
<b>General Fund</b>				
Schools Balances	(9,585)	433	0	(9,152)
Bad and Doubtful Debt Reserve	(748)	523	0	(225)
Building Asset Renewal Reserve	0	0	(1,250)	(1,250)
SALIX Reserve	(500)	74	0	(426)
Repairs & Renewals	(347)	0	0	(347)
Budget Rollovers	(1,686)	69	0	(1,617)
Planning Gains	(1,666)	0	(137)	(1,803)
Benefit Subsidy Reserve	(579)	217	0	(362)
Insurance Reserve	(3,059)	712	0	(2,347)
Debt Financing Reserve	(471)	0	(77)	(548)
Lease Rental Equalisation Reserve	(49)	0	0	(49)
Saxon Court Dilapidation Reserve	(200)	0	(200)	(400)
Revenue Financing Reserve	(292)	0	(209)	(501)
One-Off Expenditure Reserve	(325)	0	(1,619)	(1,944)
CCTV Reserve	(101)	0	0	(101)
Landfill Allowances Reserve	(123)	0	(66)	(189)
Local Authority Business Growth Incentive	(863)	676	0	(187)
Car Parking Surplus	(311)	0	(144)	(455)
Radcliffe Reserves	0	0	(1,575)	(1,575)
Redundancy & Restructuring Reserve	0	0	(588)	(588)
Value for Money Reserve	(1,560)	21	0	(1,539)
Adult Social Care	(200)	0	(450)	(650)
Children Demand Reserve	0	0	(462)	(462)
Capital Reserve	(883)	0	(2,943)	(3,826)
Other Reserves	(531)	146	0	(385)
<b>Total General Fund Earmarked Reserves</b>	<b>(24,079)</b>	<b>2,871</b>	<b>(9,720)</b>	<b>(30,928)</b>
Bad and Doubtful Debt Reserve	(1,147)	400	0	(747)
Other	(292)	192	0	(100)
<b>Total HRA Earmarked Reserves</b>	<b>(1,439)</b>	<b>592</b>	<b>0</b>	<b>(847)</b>
	<b>(25,518)</b>	<b>3,463</b>	<b>(9,720)</b>	<b>(31,775)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 8. EXCEPTIONAL ITEMS

The arrangements for procurement at Milton Keynes Council were reviewed as various internal management and external audit reviews had indicated that to achieve better results a more coordinated 'strategic' approach to procurement was required. This led to the production and agreement of the new Procurement Strategy.

As a consequence the council agreed to negotiate, with Mouchel, the transfer of the 8 staff providing the procurement function back to the council. Complex financial negotiations were undertaken which recognised that the council had a contractual liability to Mouchel and resulted in a one-off payment to Mouchel as full and final settlement.

## 9. TRADING OPERATIONS

2009/10 (Surplus)/ Deficit £'000		2010/11 Expenditure £'000	2010/11 Income £'000	2010/11 (Surplus)/ Deficit £'000
383	a) Commercial Properties	288	(787)	(499)
(91)	b) Building	1,696	(1,701)	(5)
(370)	c) Transport Fleet	2,680	(3,261)	(581)
16	d) Emberton Park	241	(245)	(4)
(81)	e) Stores	827	(811)	16
(199)	f) Highways	6,643	(6,721)	(78)
(3)	g) Vehicle Maintenance	500	(477)	23
(255)	h) Landscape	4,956	(4,357)	599
(33)	i) Hospitality Services	134	(101)	33
130	j) Broadband	499	(436)	63
<b>(503)</b>	<b>Total</b>	<b>18,464</b>	<b>(18,897)</b>	<b>(433)</b>

### a. Commercial Properties

The council received a number of commercial properties in June 1992, following the wind-up of the Development Corporation. The council receives income from these properties and this income is offset against any expenditure incurred by the service.

### b. Building

A small unit is maintained by the council to undertake small building maintenance works. This includes the Synergy Depot and key holding services.

### c. Transport Fleet

Environmental Services provides a successful fleet management service for the council.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **d. Emberton Park**

Environmental Services continued to manage the operation of Emberton Park throughout 2010/11.

### **e. Stores**

The stores area provides a wide range of materials for all the trading activities within Environmental Services. It also provides a service for all other areas of Milton Keynes Council on a commercial basis.

### **f. Highways**

The Highways DSO work group undertakes a range of highways maintenance and construction activities for a number of areas of the council, primarily for the Environment directorate. This includes a 24 hour emergency service and winter gritting, snow clearing etc.

### **g. Vehicle Maintenance**

Environmental Services operated the vehicle maintenance contract for the council in 2010/11.

### **h. Landscape**

Environmental Services carries out landscape maintenance work for the council, as well as schools and public bodies in the area.

### **i. Hospitality Services**

Environmental Services carries out a catering hospitality service to officers and members of the council to service meetings and functions.

### **j. Broadband**

This service provides broadband (MKSchools.net) to schools and receives subscription income from them. The capital costs are funded by the schools, and they have the option to use MKSchools.net as their broadband provider.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. DISCONTINUED OPERATIONS

There were no operations discontinued during 2010/11 and therefore no disclosures required.

The closure of the Architecture MK service during 2008/09 resulted in a number of small transactions totalling £6,800 during 2010/11, but due to the immaterial nature of the values involved, the sum is not reflected as a discontinued operation in the Comprehensive Income and Expenditure Statement for 2010/11.

## 11. AGENCY SERVICES

Total agency expenditure for 2010/11 is detailed below.

2009/10 Net Sum Recovered £'000		2010/11 Expenditure £'000	2010/11 Net Sum Recovered £'000
29	<b>English Partnerships</b> Street Lighting	23	23
1,997	<b>Primary Care Trust</b> Care Home Placements	1,734	1,734
<u><b>2,026</b></u>	<b>Total</b>	<u><b>1,757</b></u>	<u><b>1,757</b></u>

The council acts as an agent for Homes and Communities Agency in providing street lighting. The costs are fully recovered and the net cost to the council is £nil.

Since 2003, the council has acted as an agent for Milton Keynes Primary Care NHS Trust in respect of the provision of nursing care to residents in care homes and the payment for that care.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

The council was designated a Permitted and Special Parking Area from 25<sup>th</sup> March 2002, and is required under Section 55 of the Road Traffic Regulation Act 1984 and the Traffic Management Act 2004 to keep an account of income and expenditure relating to these responsibilities.

2009/10 £'000		2010/11 £'000
	<b>Expenditure</b>	
1,366	Contractors Management Fee	1,484
59	Pay and Display Installation Costs	63
93	Staffing Cost	98
226	Supplies and Services	261
180	Support Costs	200
12	Surveys and Fees	24
38	Decriminalised Costs	29
18	Signing Costs	93
5	Landscaping	5
123	Street Lighting	123
10	Highway Management	11
12	Gully Emptying	14
<b>2,142</b>	<b>Total Expenditure</b>	<b>2,405</b>
	<b>Income</b>	
(853)	Excess Charge/Penalty Charge Notices	(795)
(596)	Business Permits	(712)
(20)	Suspensions	(22)
(431)	Scratch Cards	(556)
(5,979)	Pay and Display Income	(6,248)
<b>(7,879)</b>	<b>Total Income</b>	<b>(8,333)</b>
<b>(5,737)</b>	<b>Surplus achieved in year</b>	<b>(5,928)</b>
<b>0</b>	<b>Transfer to Special Parking Reserve</b>	<b>144</b>
<b>(5,737)</b>	<b>Surplus for the year</b>	<b>(5,784)</b>

The surplus of (£5,784,000) has been fully spent during the year to fund a variety of traffic and transportation projects. Examples of such projects undertaken include Highway improvement design and project management (£587,000), off-street car parks (£475,000), concessionary fares (£3,206,000), bus subsidies (£2,682,000), the passenger transport team, publicity, Routel, studies and project development, promotion, minibus driving testing and bus infrastructure.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. POOLED BUDGETS

Section 75 of the National Health Act 2006 allows partnership arrangements between NHS bodies, local authorities and other agencies in order to improve and co-ordinate services. A pooled budget is established to which each partner contributes. The aim of the partnership is to provide a service to a target client group and allows the organisations to work in a more unified way.

The council has entered into three such arrangements with the Milton Keynes Primary Care Trust (PCT).

### a. Integrated Community Equipment Service (ICES)

The Integrated Community Equipment pooled budget brings together health and social care equipment for disabled people as a single service, with some efficiency of scale and improved delivery.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2009/10 £'000	Integrated Community Equipment Service (ICES)	2010/11 £'000
	<b>Gross Funding</b>	
(188)	Milton Keynes Council	(181)
(167)	Milton Keynes Primary Care Trust	(252)
<b>(355)</b>	<b>Total Funding</b>	<b>(433)</b>
624	<b>Expenditure</b>	452
<b>624</b>	<b>Total Expenditure</b>	<b>452</b>
<b>269</b>	<b>Net (Surplus)/Deficit</b>	<b>19</b>
(142)	Additional contributions MKC	(8)
(127)	Additional contributions PCT	(11)
<b>0</b>	<b>Net Surplus Carried Forward</b>	<b>0</b>



## NOTES TO THE FINANCIAL STATEMENTS

### b. Mental Health

The Mental Health pooled budget supports the integrated mental health service (council and Primary Care Trust), allowing greater flexibility and economies of scale in funding mental health services.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

<b>2009/10 £'000</b>	<b>Mental Health</b>	<b>2010/11 £'000</b>
	<b>Gross Funding</b>	
(3,709)	Milton Keynes Council	(3,847)
(12,778)	Milton Keynes Primary Care Trust	(12,985)
0	Miscellaneous	0
<b>(16,487)</b>	<b>Total Funding</b>	<b>(16,832)</b>
	<b>Expenditure</b>	
1,361	Commissioning	1,367
15,183	Provider	15,483
<b>16,544</b>	<b>Total Expenditure</b>	<b>16,850</b>
<b>57</b>	<b>Net Deficit before additional contributions</b>	<b>18</b>
(13)	Additional contributions MKC	(4)
(44)	Additional contributions PCT	(14)
<b>0</b>	<b>Net deficit carried forward</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### c. Learning Disability

The Learning Disability pooled budget supports the integrated learning disability service (council and Primary Care Trust), allowing greater flexibility and economies of scale in funding mental health services. Milton Keynes Council is the Lead Partner for the Learning Disability Pool.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2009/10 £'000	Learning Disability	2010/11 £'000
	<b>Gross Funding</b>	
(15,883)	Milton Keynes Council	(16,885)
(1,075)	Milton Keynes Primary Care Trust	(1,161)
<b>(16,958)</b>	<b>Total Funding</b>	<b>(18,046)</b>
	<b>Expenditure</b>	
152	Senior Management	135
353	Team A / Intake and Assessment	430
437	T & D, QA & Policy / Training Quality & Review	568
248	Team B / Mental Health & Learning Disability	277
5,055	External Residential Care	4,942
556	Fremantle	551
1,052	Mathieson Road	1,083
2,387	Internal Day Care	2,473
499	Purchased Day Care	544
147	Thrift Farm	120
199	External Domiciliary	164
313	Direct Payments	396
646	Peripatetic	621
2,552	External Supported Living	3,363
326	Psychology & Challenging Behaviour	299
224	Medical Services	253
263	Supported Employment	273
1,549	Learning Disability Development Fund	1,554
<b>16,958</b>	<b>Total Expenditure</b>	<b>18,046</b>
<b>0</b>	<b>Net (Surplus)/Deficit</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

---

### 14. MEMBERS ALLOWANCES

Total authority paid the following amounts to members of the council during 2010/11:

2009/10 £'000		2010/11 £'000
496	Basic Allowance	500
217	Special Responsibility Allowance	222
(18)	Telephone and Incidental Allowance	4
13	Travel and Subsistence payments	15
1	Dependants' Carers'	0
6	Co-optees'	7
<u>715</u>	<b>TOTAL</b>	<u>748</u>

Details of each Member's individual payments are published annually on the council's website.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. OFFICERS REMUNERATION

The Accounts and Audit Regulations 2003 (Regulation 7(2A)) require disclosure of officers' remuneration above a set threshold. The number of employees, whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000, were:

2009/10 Number of Employees	£ Band	2010/11 Number of Employees	2010/11 Number of Redundancies
106	50,000 - 54,999	127	3
54	55,000 - 59,999	79	1
38	60,000 - 64,999	43	0
32	65,000 - 69,999	32	1
15	70,000 - 74,999	19	1
9	75,000 - 79,999	13	0
4	80,000 - 84,999	4	0
3	85,000 - 89,999	7	0
4	90,000 - 94,999	5	0
5	95,000 - 99,999	1	0
2	100,000 - 104,999	3	0
1	105,000 - 109,999	4	0
1	110,000 - 114,999	0	0
0	115,000 - 119,999	0	0
1	120,000 - 124,999	0	0
0	125,000 - 129,999	1	0
0	130,000 - 134,999	0	0
0	135,000 - 139,999	0	0
0	140,000 - 144,999	0	0
0	145,000 - 149,999	0	0
0	150,000 - 154,999	0	0
0	155,000 - 159,999	0	0
0	160,000 - 164,999	0	0
0	165,000 - 169,999	0	0
0	170,000 - 174,999	0	0
0	175,000 - 179,999	0	0
<b>275</b>		<b>338</b>	<b>6</b>

This table does not include senior employees, who are disclosed separately and in greater detail in the table on the following page:

## NOTES TO THE FINANCIAL STATEMENTS

Senior Employees whose salary is less than £150,000 and who are excluded from the previous table are as follows:

Total Remuneration including Pension contributions 2009/10 £	Post Title	Salary £	Expense Allowances £	Total Remuneration excluding Pension contributions 2010/11 £	Pension Contributions £	Total Remuneration including Pension contributions 2010/11 £
149,017	Corporate Director, Children & Young People's Services	135,000	907	135,907	25,110	161,017
134,809	Corporate Director, Community Wellbeing	124,500	0	124,500	23,157	147,657
124,273	Corporate Director, Organisational Transformation Programme	115,875	467	116,342	21,553	137,895
122,426	Director of Strategy, Chief Executives	114,667	342	115,009	21,328	136,337
110,684	Corporate Director, Resources	130,750	404	131,154	24,319	155,473

Senior employees whose salary is £150,000 or more per year were:

Total Remuneration including pension contributions 2009/10 £	Post Title	Salary £	Expense Allowances £	Total Remuneration excluding pension contributions 2009/10 £	Pension Contributions £	Total Remuneration including pension contributions 2010/11 £
128,725	Chief Executive - D Hill	155,000	371	155,371	28,830	184,201

# NOTES TO THE FINANCIAL STATEMENTS

## 16. EXTERNAL AUDIT COSTS

The authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the authority's external auditors:

2009/10 £'000		2010/11 £'000
446	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed Auditor	421
18	Fees payable to the Audit Commission in respect of statutory inspection	0
83	Fees payable to the Audit Commission for the certification of grant claims and returns	49
0	Fees payable in respect of other services provided by the appointed auditor	0
<b>547</b>		<b>470</b>

## 17. PUBLICITY

Total expenditure on publicity during 2010/11 is detailed below:

2009/10 £'000		2010/11 £'000
996	Recruitment Advertising	421
106	Statutory and Public Notices	50
0	Housing Stock - Tenant Consultation	0
80	Publishing LiveMK	47
4	Publishing MK@Work	1
356	Other Advertising and Publicity Expenditure	328
<b>1,542</b>		<b>847</b>

Other Advertising and Publicity Expenditure totalling £328,000 was mainly spent on publicity for a new cycling Promotion Scheme in 2010/11, promotional campaigns including a campaign for Every Childs a Talker and other advertising and promotional items along with brochures for Adult Education.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE) and the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008 and the School Finance (England) (Amendment) Regulations 2010. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

When a school is granted Academy Status by the DfE, the amount of DSG allocated to the council is reduced by that school's budget share reflecting the period of the financial year remaining. Additionally the DfE reduce the DSG received by the council to reflect an element of central services that Academies are themselves responsible for providing or procuring.

The table below shows the deployment of the DSG receivable for 2010/11

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2010/11	0	0	160,755
Exceptional Circumstances Grant- Awarded In year	0	0	722
Surplus Brought forward from 2009/10	0	0	1,312
Carry forward to 2011/12 Agreed in Advance	0	0	(1,710)
Agreed Budgeted distribution of DSG in 2010/11	17,192	143,887	161,079
In year reduction in ISB for schools becoming Academies	0	(1,645)	(1,645)
Revised Budgeted distribution after Academies reduction	17,192	142,242	159,434
Actual Central Expenditure (excluding funds devolved/delegated to schools in year)	14,057	0	0
Actual ISB deployed to Schools (after allocation of contingencies etc from Central Expenditure Budgets delegated/devolved to schools in year)	0	144,830	0
Local Authority Contribution for 2010/11	0	48	48
In year reduction in DSG for schools becoming Academies	0	0	1,674
<b>DSG Carry Forward to 2011/12</b>	<b>3,135</b>	<b>(2,540)</b>	<b>2,276</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 19. GRANT INCOME

The authority has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2010/11.

2009/10 £'000		2010/11 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
(93,218)	Council Tax Income	(97,786)
(68,548)	Redistributed National Non-Domestic Rate Income	(76,225)
(71,203)	Capital Grants and Contributions	(3,780)
	<i>Non-Ringfenced Government Grants:</i>	
(15,822)	Revenue Support Grant	(11,069)
(251)	Local Authority Business Growth Incentive Grant	(481)
(10,512)	Area Based Grant	(14,939)
(432)	Housing & Planning Delivery Grant	0
(27,017)	Total Non-Ringfenced Government Grants	(26,489)
<b>(259,986)</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>(204,280)</b>
<b>Credited to Services</b>		
(792)	Adult and Community Learning	(799)
(153,392)	Dedicated Schools Grant	(159,642)
(8,072)	Education Special Grants (Schools Standards Grant)	(8,614)
(500)	Growth Fund Revenue	(1,011)
0	16-18 Learner Responsive	(5,335)
0	DfT Emergency Winter Damage Fund	(959)
(482)	Youth Justice Board	(701)
(495)	Think Family	(514)
(1,962)	LPSA2 Performance Reward Grant	0
(481)	Unaccompanied Asylum Seeking Children	(952)
(16,188)	LSC/YPLA Young People's Learning Agency	(17,112)
(569)	National Bus Concession	(782)
(677)	Social Care Reform Grant	(847)
(31,828)	Standards Fund	(14,700)
(5,242)	Supporting People Programme Grant	0
(6,308)	General Sure Start Grant	(7,904)
(5,894)	Other Grant Income	(4,640)
<b>(232,882)</b>	<b>Total Grant Income credited to Cost of Services</b>	<b>(224,512)</b>



# NOTES TO THE FINANCIAL STATEMENTS

---

## **Revenue Support Grant**

Revenue Support Grant is provided by the Department for Communities and Local Government (DCLG) and is based on the government's assessment as to what should be spent on local services. The amount is fixed at the beginning of each financial year.

## **Local Authority Business Growth Incentive Grant**

The Local Authority Business Growth Incentive (LABGI) Scheme rewards local authorities for successfully encouraging new business growth. It allows local authorities to retain a share of increased National Domestic Rate (NDR) revenue through the payment of an unringfenced government grant. The scheme began in 2005/06.

## **Area Based Grant**

Area Based Grant (ABG) is a non-ring fenced general grant. As such, no conditions on use are imposed as part of the ABG determination.

As with any other non-ring fenced general grant, any amount unspent at the end of the year is included in the General Fund Balance.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. BUILDING CONTROL ACCOUNT

<b>Building Regulations Charging Account 2010/11</b>	<b>Chargeable 2010/11 £'000</b>	<b>Non- Chargeable 2010/11 £'000</b>	<b>Total Building Control 2010/11 £'000</b>
<b>Expenditure</b>			
Employee Expenses	353	69	422
Premises	2	0	2
Transport	19	4	23
Supplies and Services	55	11	66
Central and Support Service Charges	160	31	191
<b>Total Expenditure</b>	<b>589</b>	<b>115</b>	<b>704</b>
<b>Income</b>			
Building Regulation Charges	(496)	0	(496)
Miscellaneous Income	0	(1)	(1)
<b>Total Income</b>	<b>(496)</b>	<b>(1)</b>	<b>(497)</b>
<b>(Surplus)/Deficit for the year</b>	<b>93</b>	<b>114</b>	<b>207</b>
<b>Three Year Rolling Programme</b>			
2008/2009	190		
2009/2010	131		
2010/2011	93		
<b>Total Deficit</b>	<b>414</b>		

The Building (Local Authority Charges) Regulations 2010 (SI 2010/404) (the charges regulations) make new provision authorising (LAs) in England and Wales to fix their own charges in a scheme, based on the full recovery of their costs, for carrying out their main building control function relating to building regulations. They revoke and replace the Building (Local Authority Charges) Regulations 1998 (SI 1998.31290) and provide local authorities with greater flexibility in establishing their charges with the aim of providing more accurate and fairer charges. They also introduce more transparency into the charge-setting process. The scheme may be inspected between 08.30 and 17.15 Monday to Friday at MK Building Control, Civic Offices, 1 Saxon Gate East, Milton Keynes, MK9 3EJ.

The Charges Regulations 2010 contain a transitional provision which allows local authorities to introduce the charging scheme under these regulations at any time between 1<sup>st</sup> April 2010 and 1<sup>st</sup> October 2010. Milton Keynes Council introduced its Charging scheme on 1<sup>st</sup> October 2010.

The amount of income and expenditure relating to the scheme in the financial year 2010/11 together with comparator figures for the previous two years is shown in the table above.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. LANDFILL ALLOWANCE TRADING SCHEME

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. From 1<sup>st</sup> April 2005 it introduced a trading scheme, which allocates tradable landfill allowances.

The figures below are shown as current assets and current liabilities in the Balance Sheet. Each year the figures are based on estimated usage for the final quarter of the year. The opening balance has been adjusted to reflect the final position for the previous year.

2009/10		2010/11	
Tonnes	£'000	Tonnes	£'000
0	0 Opening Balance at 1st April 2010	7,023	84
0	0 Purchases 09/10 Allowances	8,000	69
0	Adjustment to opening balance to reflect audited 0 final tonnages and value for previous years	(7,746)	(77)
0	0 Adjusted opening balance	7,277	76
0	0 Revaluation of LATs	(7,277)	(76)
(44,753)	(532) Allowances Received	(39,772)	(497)
0	0 Purchases	0	0
0	0 Sales	0	0
51,776	616 Allowances Used	34,478	431
0	0 Allowances written off	0	0
7,023	84 Balance at 31st March 2011	(5,294)	(66)

The council has used the average value of all 2010/11 trades nationally to estimate the values of its allowances at £12.50 per tonne.

## 22. PROPERTY, PLANT AND EQUIPMENT

The table on the following page shows the movements in year for Property, Plant and equipment:

## NOTES TO THE FINANCIAL STATEMENTS

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment		Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Constructio n £'000	Total PPE £'000
			Finance Lease £'000	Other £'000					
<b>Cost or Valuation</b>									
At 1 April 2010	569,951	439,087	4,712	12,871	124,441	266	5,685	23,109	1,180,122
Additions	12,229	3,500	236	1,970	12,100	0	0	26,538	56,573
Donations	0	0	0	0	0	0	0	0	0
Revaluation recognised in the Revaluation Reserve	0	5,193	0	0	0	0	1,297	0	6,490
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(145,415)	(1,259)	0	0	0	0	(26)	0	(146,700)
Derecognition - disposals	(943)	(1,152)	0	(76)	0	0	0	0	(2,171)
Derecognition - other	0	(3,338)	(299)	0	0	0	0	0	(3,637)
Assets Reclassified (to)/from Held for Sale	0	(294)	0	0	0	0	414	0	120
Assets Reclassified (to)/from Other asset classes	(564)	18,876	0	60	0	0	688	(18,939)	121
Other Movements in cost or valuation	0	(10,056)	0	0	0	0	0	(12,629)	(22,685)
At 31 March 2011	435,258	450,557	4,649	14,825	136,541	266	8,058	18,079	1,068,233
<b>Accumulated Depreciation and Impairment</b>									
Depreciation value at 1 April 2010	0	(16,269)	(1,371)	(5,701)	(21,205)	0	(27)	0	(44,573)
Impairment value at 1 April 2010	(11,678)	(12,061)	0	(102)	0	0	(2,193)	0	(26,034)
Depreciation charge	(7,897)	(8,669)	(858)	(1,595)	(3,190)	0	(39)	0	(22,248)
Depreciation written out to the Revaluation Reserve	0	955	0	0	0	0	0	0	955
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,897	102	0	0	0	0	0	0	7,999
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(1,762)	0	0	0	0	(625)	0	(2,387)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	2,975	(13,165)	0	(15)	0	0	0	0	(10,205)
Derecognition - disposals	0	83	0	74	0	0	0	0	157
Derecognition - other	0	621	299	0	0	0	0	0	920
Assets Reclassified (to)/from Other asset classes	0	1	0	0	0	0	(1)	0	0
Other movements in depreciation and impairment	0	449	0	0	0	0	0	0	449
At 31 March 2011	(8,703)	(49,715)	(1,930)	(7,339)	(24,395)	0	(2,885)	0	(94,967)
<b>Net Book Value at 31 March 2011</b>	<b>426,555</b>	<b>400,842</b>	<b>2,719</b>	<b>7,486</b>	<b>112,146</b>	<b>266</b>	<b>5,173</b>	<b>18,079</b>	<b>973,266</b>
<b>Net Book Value at 31 March 2010</b>	<b>558,273</b>	<b>410,757</b>	<b>3,341</b>	<b>7,068</b>	<b>103,236</b>	<b>266</b>	<b>3,465</b>	<b>23,109</b>	<b>1,109,515</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 23. DEPRECIATION

Depreciation should be provided on all assets with a finite useful life, which can be determined at the time of acquisition or revaluation.

The table below details the different classes of asset held by the council, the useful lives of each class of asset and the total depreciation charged for the year.

	Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2010/11 Depreciation Charge		
			General Fund £'000	HRA £'000	Total £'000
Council Dwellings	20 - 60 *	20 - 60 *	0	7,897	<b>7,897</b>
Other Properties	20 - 60 *	20 - 60 *	8,158	550	<b>8,708</b>
Vehicles, Plant and Equipment	3 - 40 **	3 - 12	1,459	136	<b>1,595</b>
Leased VPE	3 - 40 **		858	0	<b>858</b>
Infrastructure - Highways	40	40	3,190	0	<b>3,190</b>
Infrastructure - Other	20	20			
			<b>13,665</b>	<b>8,583</b>	<b>22,248</b>

\* The depreciation calculation for Property Plant & Equipment Buildings is based on a 60 year life from the completion date. Each time an asset is revalued the asset life is revised, but the calculation is based on the date of completion, a life of 60 years and the revaluation date.

Please see Accounting Policy note 25 for further details.

\*\* The useful life varies from 3 to 40 years depending on the estimated life of each asset.

# NOTES TO THE FINANCIAL STATEMENTS

---

## 24. IMPAIRMENT

An impairment loss on a re-valued asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. This can be due to the consumption of economic benefit or due to a fall in prices that is specific to an asset. The loss is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for that asset and thereafter in the Surplus or Deficit on the Provision of Services.

An impairment loss on a non re-valued asset (those held at historic cost) is recognised in the Surplus or Deficit on the Provision of Services

At the end of each reporting period if there is an indication that an impairment loss, previously recognised in the Surplus or Deficit on the Provision of Services, may no longer exist or may have decreased, the reversal of that loss is permitted if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

## NOTES TO THE FINANCIAL STATEMENTS

The following table shows the impairment charges for non-current assets in 2010/11:

	Impairment Loss			Reversal of Impairment Loss			Total to Revaluation Reserve	Service Total
	Taken to Revaluation Reserve	Charged to Services		Taken to Revaluation Reserve	Previously Charged to			
	£'000	General Fund	HRA	£'000	General Fund	HRA	£'000	£'000
<b>Property Plant and Equipment</b>								
Council Dwellings	0	0	8,703	0	0	(11,678)	0	(2,975)
Other Land & Buildings	2,038	14,231	0	(276)	(1,066)	0	1,762	13,165
Vehicles, Plant & Equipment	0	15	0	0	0	0	0	15
Leased Vehicles, Plant & Equipment	0	0	0	0	0	0	0	0
Infrastructure	0	0	0	0	0	0	0	0
Community Assets	0	0	0	0	0	0	0	0
Surplus Assets	625	0	0	0	0	0	625	0
<b>Total Property Plant and Equipment</b>	<b>2,663</b>	<b>14,246</b>	<b>8,703</b>	<b>(276)</b>	<b>(1,066)</b>	<b>(11,678)</b>	<b>2,387</b>	<b>10,205</b>
<b>Investment Assets</b>	0	0	0	0	0	0	0	0
<b>Assets Held for Sale</b>	164	19	0	0	(22)	0	164	(3)
<b>Total Impairment</b>	<b>2,827</b>	<b>14,265</b>	<b>8,703</b>	<b>(276)</b>	<b>(1,088)</b>	<b>(11,678)</b>	<b>2,551</b>	<b>10,202</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 25. MATERIAL IMPAIRMENT LOSSES

During 2010/11, the council has recognised a material impairment loss of £18,407,000 in relation to Council Dwellings and four other land and building assets. The council also reversed a material impairment loss of £12,710,000 in relation to the 2010/11 Capital Programme. Further detail can be found in the table below:

Assets	Material Impairment Loss - Recognised in year £'000	Material Impairment Loss - Reversed in year £'000	Events/Circumstances
Council Dwellings	8,703	0	Recognising the works identified for the HRA 2011/12 Capital Programme
Council Dwellings	0	(11,678)	Reversing the impairment loss recognised in the previous year relating to the 2010/11 Capital Programme - works completed and revaluations undertaken
Calverton Lane Travellers Site	2,018	0	Demolition of buildings during redevelopment of the whole site and a decline in the assets carrying amount due to the valuation method. This is Existing Use Value (taking into account social housing and number of plots)
Mini Kitchen Projects	0	(1,032)	Reversing the impairment loss recognised in the previous year relating to the 2010/11 Capital Programme
Multi Storey Car Park at Bletchley Leisure Centre	1,845	0	The decline in value specific to each asset due to project costs to bring each asset into use being greater than it's existing use value.
Emerson Valley Sports Pavilion	2,487	0	The decline in value specific to each asset due to project costs to bring each asset into use being greater than it's existing use value.
Brooklands Farm Primary School	3,354	0	The decline in value specific to each asset due to project costs to bring each asset into use being greater than it's existing use value.
<b>Total</b>	<b>18,407</b>	<b>(12,710)</b>	



# NOTES TO THE FINANCIAL STATEMENTS

---

## **26. CHANGE IN THE DEPRECIATION METHOD**

There has been no change in the depreciation method used in the 2010/11 Statement of Accounts. Depreciation is calculated by allocating costs (or re-valued amounts), less the estimated residual value of the relevant assets, on a straight-line basis over their useful economic lives. This is deemed to be the most appropriate method given the nature of the assets held by the council.

## **27. CHANGE IN THE AMORTISATION METHOD**

There has been no change in the amortisation method used in the 2010/11 Statement of Accounts.

All Intangible Assets are included at historic cost and amortised, on a straight line basis, over their economic lives. The economic lives are reviewed at the end of each reporting period and revised if necessary.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. CAPITAL COMMITMENTS

The council prepares an annual capital programme but a number of schemes take several years to complete thus committing the authority to capital expenditure in future years.

Overall commitments at 31<sup>st</sup> March 2011, including those with a commitment of less than £100,000, totalled £4,800,000.

There are contractual commitments for the acquisition of purchased intangible assets of £19,000.

Contractual commitments as at 31<sup>st</sup> March 2011 with a commitment of £100,000 or more are shown in the table below.

Directorate: Scheme Name	Scheme Description	2010/11 £'000	Period of Investments Years
<b><i>Children &amp; Young Peoples Services:</i></b>			
14-19 Stantonbury School	School Remodelling	178	1
14-19 Denbigh School	School Remodelling	262	1
14-19 Ousedale School	School Remodelling	577	1
Oldbrook Infant School	World Class Primary Remodelling	236	1
Langland Primary School	World Class Primary Remodelling	103	2
		<b>1,356</b>	
<b><i>Organisational Transformation Programme:</i></b>			
MK Busways	A5130 Single to dual carriageway	223	1
		<b>223</b>	
<b><i>Community Wellbeing:</i></b>			
Wolverton Swimming Pool	New swimming pool design	106	2
Fenny Lock Travellers Site	10 Plot travellers site	1,365	1
Second Crematorium	New Crematorium	1,089	3
		<b>2,560</b>	
<b>Grand Total</b>		<b>4,139</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### 29. VALUATION OF NON-CURRENT ASSETS

#### a) Revaluation of non-current assets

The following table shows the progress of the council's rolling programme for revaluation of Property, Plant and Equipment:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infra- structure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Held at historical cost	0	0	10,205	112,146	266	0	18,079	140,696
Revalued Assets in:								
2010/11	426,555	31,016	0	0	0	5,173	0	462,744
2009/10	0	65,479	0	0	0	0	0	65,479
2008/09	0	66,251	0	0	0	0	0	66,251
2007/08	0	68,953	0	0	0	0	0	68,953
2006/07	0	169,143	0	0	0	0	0	169,143
<b>Total Cost or Valuation</b>	<b>426,555</b>	<b>400,842</b>	<b>10,205</b>	<b>112,146</b>	<b>266</b>	<b>5,173</b>	<b>18,079</b>	<b>973,266</b>

## NOTES TO THE FINANCIAL STATEMENTS

---

### **b) Non-current asset valuation**

The council has a five year rolling programme for undertaking valuations of its property assets. In the 2010 valuations all those properties not valued within the previous five years, excluding Council Dwellings, were valued by Jonathon Willson FRICS, Roger Norman FRICS, Hugh Sherbooke and Peter Tattersall MRICS of Mouchel Business Services Ltd, the appointed external valuers. The valuation date was 1<sup>st</sup> April 2010.

A property review has also been undertaken of the council's entire property portfolio, excluding Council Dwellings, as at 31<sup>st</sup> March 2011. These valuations were completed by Nathan Andrews MRICS and Peter Tattersall MRICS of Mouchel Business Services Ltd.

Following research into levels of land values during 2010/11, the conclusion of this review is that there has been no further decrease in land values since March / April 2010.

An enhancement review has been undertaken and where appropriate, revaluations have been conducted as at 31<sup>st</sup> March 2011. This has also resulted in specific impairment losses being identified on a number of assets as shown in the impairment disclosures on page 85.

The valuations were prepared in accordance with the Practice Statements in the RICS Valuation Standards 6th Edition, published by the Royal Institution of Chartered Surveyors and the valuation procedures agreed between RICS and CIPFA based on the International Financial Reporting Standards referred to in the RICS Valuation Standards 6th Edition. In accordance with the relaxations agreed between the RICS and CIPFA, not all properties were inspected.

Council Dwellings have been valued as at 1<sup>st</sup> April 2010 based on a desk top review and a full stock valuation has been undertaken as at 31<sup>st</sup> March 2011. Council dwellings were valued by Peter Riley FRICS of Mouchel Business Services Ltd in accordance with DCLG 2010 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards. A HRA Capital Programme impairment loss has also been incurred at 31<sup>st</sup> March 2011 and the previous year's Capital Programme has been reversed. This is following the capital expenditure incurred in year and subsequent 31<sup>st</sup> March revaluations as shown in the impairment disclosure on page 85.

Assets which transferred to the council from Homes & Communities are subject to 'clawback' on disposal: compensation in respect of transferred asset value. In 2010/11 the council paid £982,796 in clawback on housing stock sales of £2,161,438. As at 31<sup>st</sup> March 2011 60.1% of the council's housing stock and 3.8% of the non-housing stock are subject to clawback.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. INVESTMENT PROPERTIES

The council does not have property interests held under operating leases which are classified or accounted for as investment property.

The following items of income have been accounted for in the in the Comprehensive Income and Expenditure Statement. There are no material direct operating expenses arising from investment property.

	2010/11 £'000
Rental income from investment property	60
Direct operating expenses arising from investment property	0
Net gain/(loss)	<u>60</u>

Some investment properties are subject to Government consent for sale and a proportion of the proceeds paid to the Housing and Communities Agency. Other investment properties have restrictions not related to the consent / clawback referred to above and others are free from significant restrictions.

Some investment assets will be subject to contractual obligations in relation to future development. Investment assets leased out on either Full Repairing and Insuring Leases or on Ground Leases will not incur significant contractual expenditure.

The following table summarises the movement in the fair value of investment properties over the year.

	2010/11 £'000
<b>Balance at start of the year</b>	20,253
Additions:	
Purchases	0
Construction	0
Subsequent expenditure	0
Disposals	0
Net gains/losses from fair value adjustments	0
Transfers:	
To/from Inventories	0
To/from Property, Plant and Equipment	(121)
Other changes	0
<b>Balance at the end of the year</b>	<u><u>20,132</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The table below details the expenditure and financing of capital activity for 2010/11.

2009/10 £'000		2010/11 £'000
	<b>Capital Investment</b>	
231	Intangible Assets	84
76,620	Property, Plant & Equipment	56,573
0	Investment Properties	0
11,048	Revenue Expenditure Funded from Capital under Statute	6,062
<b>87,899</b>	<b>Total</b>	<b>62,719</b>
	<b>Sources of Finance</b>	
629	Capital Receipts	1,661
24,583	Supported Borrowing	14,956
7,733	Prudential Borrowing	4,037
126	Lease Finance	236
10,800	Major Repairs Allowance	4,897
41,291	Other Government Grants & Contributions	32,787
2,737	Revenue Contributions	4,145
<b>87,899</b>	<b>Total</b>	<b>62,719</b>
	<b>Capital Financing Requirement</b>	
252,234	Non-HRA Capital Financing Requirement	259,709
79,970	HRA Capital Financing Requirement	80,719
<b>332,204</b>	<b>Total</b>	<b>340,428</b>

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

# NOTES TO THE FINANCIAL STATEMENTS

## 32. FOUNDATION SCHOOLS ASSET VALUES

Under the Schools Standards and Framework Act 1998, Foundation Schools Assets are vested in the Governing Bodies of the individual foundation schools. Two schools were transferred to foundation status in year and 3 foundation schools have now become academies. The values for these assets were not consolidated in the council's Balance Sheet.

At 31<sup>st</sup> March 2011, there were nineteen foundation or trust schools with an estimated asset valuation of £252,590,000 (twenty schools at £292,080,000 as at 31<sup>st</sup> March 2010).

## 33. INTANGIBLE ASSETS

The movement on Intangible Asset balances during the year is as follows:

	Internally Generated Assets £'000	Other Assets Purchased £'000	Other Assets Leased £'000	Total 2010/11 £'000
<b>Balance at start of year 1 April 2010</b>				
Gross carrying amounts	0	756	6,686	7,442
Accumulated amortisation	0	(323)	(3,343)	(3,666)
<b>Net carrying amount at start of year 1 April 2010</b>	0	433	3,343	3,776
<b>Additions :</b>				
Internal Development	0	0	0	0
Purchases	0	84	0	84
Acquired through business combinations	0	0	0	0
Amortisation for the period	0	(212)	(557)	(769)
<b>Net carrying amount at end of year 31 March 2011</b>	0	305	2,786	3,091
<b>Comprising :</b>				
Gross carrying amounts	0	840	6,686	7,526
Accumulated amortisation	0	(535)	(3,900)	(4,435)
<b>Total</b>	0	305	2,786	3,091

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Intangible Assets include purchased software licenses and an embedded lease. The council does not hold any internally generated intangible assets.

The council uses the carrying amount of intangible assets to amortise on a straight line basis rather than the re-valued amount. The amortisation for 2010/11 was £768,000 which was charged to the Cost of Service in the Comprehensive Income

## NOTES TO THE FINANCIAL STATEMENTS

and Expenditure Statement. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to each class of intangible asset are:

	Internally Generated Assets	Other Assets Purchased	Other Assets Leased
Useful Life	None	3 years	12 years

A de minimus level of £1,000 has been applied to expenditure on intangible assets.

The council holds an embedded lease intangible asset which is material to the Financial Statements. The leased intangible asset is for a SAP Computer System and has a carrying amount of £2,786,000 at 31<sup>st</sup> March 2011. The original costs include £617,000 for a Customer Relationship Management System, £537,000 for Portals and £3,687,000 for Core Applications. The remaining period of amortisation on this asset is five years.

There are contractual commitments for the acquisition of purchased Intangible Assets of £19,000 at 31<sup>st</sup> March 2011.

### 34. NON-CURRENT ASSETS HELD FOR SALE

The movement of the non-current assets held for sale in 2010/11 are detailed in the table below:

	2010/11 £'000
<b>Balance at start of year 1 April 2010</b>	<b>6,669</b>
<i>Assets newly classified as held for sale:</i>	
Property, Plant and Equipment	489
Intangible Assets	0
Other assets/liabilities in disposal groups	0
Revaluation losses	0
Revaluation Gains	3
Impairment Losses	(164)
<i>Asset declassified as held for sale:</i>	
Property, Plant and Equipment	(609)
Intangible Assets	0
Other assets/liabilities in disposal groups	0
Assets sold	(5,481)
Other Movements	0
<b>Balance outstanding at year end 31 March 2011</b>	<b>907</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 35. ASSETS HELD

31 Mar 2010 Number/Length		31 Mar 2011 Number/Length
722	Bridges	788
33	Car Parks	36
2	Children's Homes	2
12,602	Council Dwellings	12,479
2,760	Council Dwellings Garages	2,648
82	Community / Children's Centres	86
1	Crematoria	1
13	Day Centres	12
7	Day Nurseries	7
85	Education (Schools)	84
10	Education (Other Buildings)	9
2	Elderly Persons Homes	2
4	Factories	4
7	Garages	7
25	Ground Leases	26
2	Traveller Sites	3
3	Helipads	3
10	Hostels	10
26	Landscape Site Depots	26
42	Leisure Sites	44
9	Libraries	9
2	Museums	2
2	Neighbourhood Houses	2
33	Offices	32
1	Plant Nurseries	1
3	Public Conveniences	3
272.5km	Redways	300 km
1,209.4 km	Roads	1,232.8 km
14	Smallholdings / Farms / Agricultural Land	10
113	Shops	113
71	Substation Sites - Electricity	73
1	Theatres	1
8	Vehicles	7
10	Plant	10
6	Waste Recycling / Disposal Sites	6
6	Workshops	6
9	Youth Facilities	10
21	Other	24
<b>Community Assets</b>		
14	Cemeteries	14
12	Parks	13
24	Recreation Grounds	23
1	Windmills	1
5	Other	5

# NOTES TO THE FINANCIAL STATEMENTS

## 36. LONG TERM DEBTORS

The analysis of long term debtors is as follows:

31 Mar 2010 £'000		31 Mar 2011 £'000	
86	Mortgages	78	
12	Car Loans	9	
2	Home Computer Initiative	2	
308	Sundry Debtors	483	
<b>408</b>	<b>Total</b>	<b>572</b>	

## 37. WORK IN PROGRESS AND INVENTORIES

Inventories and work in progress comprise:

	Postage £'000	ICES Pool * £'000	Fuel £'000	Main Stores £'000	Work in Progress £'000	Total £'000
<b>Balance outstanding at 1 April 2010</b>	31	26	26	148	66	<b>297</b>
Purchases	180	1	413	643	528	<b>1,765</b>
Recognised as an expense in the year	(182)	0	(396)	(565)	(24)	<b>(1,167)</b>
Written off balances	0	0	0	0	(26)	<b>(26)</b>
Reversals of write-offs in previous years	0	0	0	0	0	<b>0</b>
<b>Balance outstanding at 31 March 2011</b>	<b>29</b>	<b>27</b>	<b>43</b>	<b>226</b>	<b>544</b>	<b>869</b>

\* Integrated Community Equipment Service pooled budget arrangement. See note 13a for further details.

# NOTES TO THE FINANCIAL STATEMENTS

## 38. SHORT TERM DEBTORS

The analysis of short term debtors, payments in advance and the provision for impairment of loans and receivables is as follows:

31 Mar 2010 £'000		31 Mar 2011 £'000
	<b>Short Term Debtors</b>	
17,537	Central Government Bodies	6,764
1,424	Other Local Authorities	2,384
5	NHS Bodies	267
0	Public Corporations and Trading Funds	0
13,706	Bodies External to Central Government	21,163
5,507	Council Tax Arrears	5,462
0	NNDR Arrears	36
3,248	Housing Rents	3,754
532	Landfill Allowances Asset Account	497
28	Council Staff Debtors	7
<b>41,987</b>	<b>Total Short Term Debtors</b>	<b>40,334</b>
	<b>Payments in Advance</b>	
39,383	Payments in Advance	36,438
<b>39,383</b>	<b>Total Payments in Advance</b>	<b>36,438</b>
	<b>Provision for Impairment for Loans &amp; Receivables</b>	
(631)	Housing Rents	(1,037)
(1,406)	Council Tax Arrears	(1,561)
(14)	NNDR Arrears	(15)
(966)	Radcliffe School Loan	0
	Sundry Debtors:	
(3,901)	General Provision	(4,970)
(123)	Housing Revenue Provision	(233)
(40)	Mortgages	(41)
<b>(7,081)</b>	<b>Total Provision for Impairment for Loans &amp; Receivables</b>	<b>(7,857)</b>
<b>74,289</b>	<b>Total Short Term Debtors</b>	<b>68,915</b>

The council entered into a formal loan agreement with Radcliffe School in March 2004 to fund the school's construction of a building for teaching of music and the arts, at a cost of £966,000. This amount has been repaid in 2010/11 from the proceeds of the sale of school land to David Wilson Homes are therefore the provision is no longer required.

# NOTES TO THE FINANCIAL STATEMENTS

## 39. SHORT TERM CREDITORS

The analysis of short term creditors is as follows:

31 Mar 2010 £'000		31 Mar 2011 £'000
(7,400)	Central Government Bodies	(6,873)
(2,796)	Other Local Authorities	(2,691)
(264)	NHS Bodies	(254)
(189)	Public Corporations and Trading Funds	(28)
(35,148)	Bodies External to Central Government	(35,163)
(6,376)	Council Staff Creditors	(5,711)
(1,046)	Housing Rent Prepayments	(1,002)
0	Council Tax and NNDR Prepayments	0
(616)	Liability for Actual BMW Landfill Usage	(431)
<u>(53,835)</u>		<u>(52,153)</u>
(33,637)	Income in Advance	(32,146)
<u><b>(87,472)</b></u>	<b>Total Short Term Creditors</b>	<u><b>(84,299)</b></u>

## 40. BORROWING REPAYABLE

a. Analysis of Loans by type:

31 Mar 2010 £'000		Range of Interest Rates - 31 March 2011	31 Mar 2011 £'000
	<b>Source of Loan</b>		
(285,298)	Public Works Loan Board	3.540% - 10.875%	(285,298)
(15,259)	Bonds	3.750% - 6.620%	(15,259)
<u><b>(300,557)</b></u>	<b>Total</b>		<u><b>(300,557)</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### b. Analysis of Loans by maturity:

31 Mar 2010 £'000		31 Mar 2011 £'000
	<b><u>Borrowing repayable on demand or within 12 months</u></b>	
(10,133)	Borrowing repayable on demand or within 12 months	(15,033)
(2,220)	Accrued interest on borrowing repayable within a period in excess of 12 months	(2,320)
<b>(12,353)</b>	<b>Total Borrowing repayable on demand or within 12 months</b>	<b>(17,353)</b>
	<b><u>Borrowing repayable within a period in excess of 12 months</u></b>	
(15,000)	Maturing in 1 to 2 years	(10,000)
(48,000)	Maturing in 2 to 5 years	(59,150)
(21,150)	Maturing in 5 to 10 years	(14,154)
(204,054)	Maturing in more than 10 years	(199,900)
<b>(288,204)</b>	<b>Total Borrowing repayable within a period in excess of 12 months</b>	<b>(283,204)</b>
<b><u>(300,557)</u></b>	<b>Total</b>	<b><u>(300,557)</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

## 41. PROVISIONS

The provisions are summarised in the table below, with further detail on each one provided as a note following the table:

	Balance at 1 April 2010 £'000	Additional provisions made in 2010/11 £'000	Amounts used in 2010/11 £'000	Unused amounts reversed in 2010/11	Balance at 31 March 2011 £'000	Short Term £'000	Long Term £'000
<b><u>Housing Revenue Account</u></b>							
a) Heating and Utilities Provision	(621)	0	0	0	(621)	(100)	(521)
	(621)	0	0	0	(621)	(100)	(521)
<b><u>General Fund</u></b>							
b) Home Bond Scheme Provision	(30)	(12)	0	0	(42)	0	(42)
c) Legal Provision	(10)	0	0	0	(10)	(10)	0
d) Overpaid Benefit Provision	(480)	0	0	0	(480)	0	(480)
e) IT & Transport Equipment Provision	(123)	(25)	23	0	(125)	0	(125)
f) Secklow Gate Bridge Provision	0	(213)	0	0	(213)	(213)	0
g) The Open University Provision	0	(190)	0	0	(190)	(190)	0
h) Environment Searches Provision	0	(212)	0	0	(212)	0	(212)
i) HIMO Appeal Provision	0	(18)	0	0	(18)	(18)	0
j) Volumetric Provision	0	(20)	0	0	(20)	(20)	0
	(643)	(690)	23	0	(1,310)	(451)	(859)
<b>Total</b>	<b>(1,264)</b>	<b>(690)</b>	<b>23</b>	<b>0</b>	<b>(1,931)</b>	<b>(551)</b>	<b>(1,380)</b>

# NOTES TO THE FINANCIAL STATEMENTS

---

## **a. Heating and Utilities Provision**

This provision has been set-aside to cover the costs of potential refunds to sheltered area tenants and leaseholders in respect of over-recovered utility costs. This consists of:

Leaseholder utilities and administration overcharge – A £78,000 provision has been held in accounts since 2005 for potential claims in relation to excessive utilities and management recharge on leasehold stock in prior years. Management recharge methodology and reconciliation will be completed in 2011/12 and the provision will be released accordingly. The timing of cash flow and resolution is expected in 2011/12.

Housing Stock Utilities overcharge provision - £520,000 provision held in the Balance Sheet for potential claims in relation to excessive utilities recharging on Housing stock tenants. The service is to assess potential provision reduction in future years after commencement of recharging restructure on the Northgate SX3 rent system. This is due to be prepared during 2011/12 for potential implementation in 2012/13.

Potential repayment of utility costs at Kilkenny House - £22,000 potential repayment of utility costs at Kilkenny House prior to 2005. Timing of cash flow is less than one year as it will expire in June 2011.

## **b. Home Bond Scheme**

In 2005/06 the council introduced a Home Bond pilot scheme, primarily financed through the Homelessness Grant to develop the availability of private sector accommodation. Instead of a rent deposit the Home Bond scheme provides a bond. This is an undertaking to cover damages or loss of rent up to the value of one months rent.

At the end of 2010/11 there were a total of 449 participants in the Home Bond scheme, which included 32 new agreements. There were 33 defaults in the scheme in 2010/11 at an average cost of £642.99.

The provision is estimated based on the number of failed bonds predicted based on the failure rate resulting from the previous financial year.

## **c. Legal Provision**

The council is currently in dispute with Excel Care concerning the funding of the block bed contract of the various Excel Care homes.

After seeking legal advice it was deemed prudent to create a provision of £10,000 to cover legal costs based on the likelihood of achieving a negotiated settlement.

This provision is expected to be resolved within the next financial year.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **d. Overpaid Benefit Provision**

The provision for loss of on-going benefits represents the potential loss on subsidy arising from non-recovery (write off) of on-going benefit debt.

Due to the way that the subsidy system works, if the authority recovers eligible overpayments (i.e. also gets the money back from Department for Work and Pensions (DWP)) this can lead to an overall increase in the percentage of subsidy recovered. This debt, referred to as the on-going benefit debt (OGB), can become significant as the amount that can be reclaimed is regimented.

The authority has already received the money from DWP if it is an eligible overpayment therefore the threshold rates of 60%; 40% and 0% do not apply - this is all straight 'profit' to the Authority.

The Authority does not record the subsidy transactions in its books; but rather reflects the end result i.e. the overall cost to the authority of providing benefits to claimants in accordance with the regulations laid out by DWP.

CIPFA neither recommends or prohibits recording the subsidy transactions; however the authority regards that it would be prudent to recognise a potential decrease in the subsidy percentage in the accounts if significant amounts of on-going benefit debt was written off.

The Authority has based its calculation on an assumption that if 18% of the above debt was written off and no more overpayments were created and recovered this could lead to a loss of subsidy.

### **e. IT and Transport Equipment Provision**

This provision was created in 2001/02 to cover the cost of any damage to or loss of IT and transport equipment leased by the council.

The balance in the provision is made up of regular monthly entries from additional rental charges made to service users.

Additional provision is made when new operating leases are entered into where the residual values included in the deal by the lessor are much higher than those expected by the service users. The amount in the provision for each lease on its expiry is then used to help cover potentially high expiry costs due to the high residual value.

In addition, the provision also includes an amount allocated for IT equipment which represents money refunded to the council as compensation in 2001/02 following the mishandling of lease tenders by the council's leasing broker at the time and an administration fee charged to a service who withdrew items from a lease drawdown at a late stage, after tenders had been received.



## NOTES TO THE FINANCIAL STATEMENTS

---

### **f. Secklow Gate Bridge Provision**

Following a fire under the Secklow Gate Bridge during 2010, a provision has been created to account for the possibility that the third party insurance company will not pay the full costs incurred for the repair work. This uncertainty stems from the delay in the repairs being undertaken. The insurers have stated that they will cover costs incurred on repair and a "reasonable time period" of other associated costs.

The provision has been estimated as the cost of both scaffolding and traffic management for a period of six months, based on actual costs incurred during 2010.

The extent to which the provision will be required depends on the decision of the insurance company.

### **g. Open University Provision**

The Open University have submitted a claim to the council via the Ombudsman with regard to a road crossing project that was planned for the V10 Brickhill Street.

The claim from the Open University covers their full costs incurred in preparing the design and contract and also a proportion of their indirect costs due to the delay the council took in rejecting the crossing scheme.

The value of the provision is based on the costs incurred by the Open University, less a deposit paid by them, which is being held by the council and which would be returned to them upon settlement of the claim.

### **h. Environment Searches Provision**

Following a legal ruling during 2010/11, the council may need to refund income received for searches undertaken in the last 6 years.

The value of the provision has been calculated based on the number of searches undertaken in this period, reduced by a grant of £34,000 from the Department of Communities and Local Government to reimburse the authority for both potential restitutionary claims and loss of fees forgone during 2010/11.

The extent to which the provision may be required depends on the number of claims made against the council following the ruling. It is not currently possible to estimate this.

### **i. HIMO Appeal Provision**

This provision was created awaiting the Judicial Review Judgement on the council's challenge to changes to HIMO Planning. This was based upon the potential of having costs awarded against the council using the value that was submitted in court.

## NOTES TO THE FINANCIAL STATEMENTS

### j. Volumetric Provision

The council has created a provision to meet the cost of a potential volumetric claim payable to Mouchel Business Services following the implementation of the Supplier Relationship Management system.

The provision will be reviewed during 2011/12 and if it is determined that the payment to Mouchel is no longer required, the provision will be reversed back to revenue.

### 42. CAPITAL GRANT RECEIPTS IN ADVANCE

The Capital Grants Receipts In Advance Account is a creditor account used for grants and contributions where conditions are outstanding:

<b>Total 2009/10 £'000</b>		<b>Short Term £'000</b>	<b>Long Term £'000</b>	<b>Total 2010/11 £'000</b>
(17,639)	<b>Balance at 1 April 2010</b>	0	(13,725)	(13,725)
7,355	Government Grants	(3,881)	9,524	5,643
(3,441)	Third Party Contributions	(3,083)	3,081	(2)
<b><u>(13,725)</u></b>	<b>Balance at 31 March 2011</b>	<b><u>(6,964)</u></b>	<b><u>(1,120)</u></b>	<b><u>(8,084)</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

## 43. RESERVES

The following table provides details of the Reserves held by the council as detailed in the Movement in Reserves Statement.

	Notes	Balance 31 Mar 2010 £'000	Transfers Between Reserves £'000	Net (Gain)/Loss In Year £'000	Balance 31 Mar 2011 £'000
<b>Usable Reserves</b>					
General Fund Balance	a	(6,969)	0	(45)	(7,014)
Schools Balances	b	(9,585)	0	433	(9,152)
Housing Revenue Account Balance	c	(6,058)	0	2,492	(3,566)
<b>Total Fund Balances</b>		<b>(22,612)</b>	<b>0</b>	<b>2,880</b>	<b>(19,732)</b>
Bad and Doubtful Debt Reserve	d	(748)	0	523	(225)
Building Asset Renewal Reserve	e	0	0	(1,250)	(1,250)
SALIX Reserve	f	(500)	0	74	(426)
Repairs & Renewals	g	(347)	0	0	(347)
Budget Rollovers	h	(1,686)	0	69	(1,617)
Planning Gains	i	(1,666)	0	(137)	(1,803)
Benefit Subsidy Reserve	j	(579)	0	217	(362)
Insurance Reserve	k	(3,059)	400	312	(2,347)
Debt Financing Reserve	l	(471)	0	(77)	(548)
Lease Rental Equalisation Reserve	m	(49)	0	0	(49)
Saxon Court Dilapidation Reserve	n	(200)	0	(200)	(400)
Revenue Financing Reserve	o	(292)	(113)	(96)	(501)
One-Off Expenditure Reserve	p	(325)	100	(1,719)	(1,944)
CCTV Reserve	q	(101)	0	0	(101)
Landfill Allowances Reserve	r	(123)	0	(66)	(189)
Local Authority Business Growth Incentive	s	(863)	0	676	(187)
Car Parking Surplus	t	(311)	0	(144)	(455)
Radcliffe Reserves	u	0	0	(1,575)	(1,575)
Redundancy & Reorganisation Reserve	v	0	0	(588)	(588)
Value for Money Reserve	q	(1,560)	0	21	(1,539)
Adult Social Care Reserve	x	(200)	(250)	(200)	(650)
Childrens Demand Reserve	y	0	(250)	(212)	(462)
Other Reserves	z	(531)	113	33	(385)
Capital Reserve	aa	(883)	0	(2,943)	(3,826)
<b>Total General Fund Earmarked Reserves</b>		<b>(14,494)</b>	<b>0</b>	<b>(7,282)</b>	<b>(21,776)</b>
Bad and Doubtful Debt Reserve	d	(1,147)	0	400	(747)
Other	z	(292)	0	192	(100)
<b>Total HRA Earmarked Reserves</b>		<b>(1,439)</b>	<b>0</b>	<b>592</b>	<b>(847)</b>
Capital Receipts Reserve	bb	(5,362)	0	634	(4,728)
Capital Grants Unapplied Reserve	cc	(14,972)	0	(3,778)	(18,750)
<b>Total Usable Reserves</b>		<b>(58,879)</b>	<b>0</b>	<b>(6,954)</b>	<b>(65,833)</b>
<b>Unusable Reserves</b>					
Capital Adjustment Account	dd	(711,378)	0	149,458	(561,920)
Revaluation Reserve	ee	(97,211)	0	2,162	(95,049)
Financial Instruments Adjustment Account	ff	446	0	50	496
Pensions Reserve	gg	263,795	0	(121,630)	142,165
Collection Fund Adjustment Account	hh	(430)	0	(1,669)	(2,099)
Deferred Capital Receipts	ii	(81)	0	(8,253)	(8,334)
Accumulated Absences Account	jj	1,104	0	(194)	910
<b>Total Unusable Reserves</b>		<b>(543,755)</b>	<b>0</b>	<b>19,924</b>	<b>(523,831)</b>
<b>Total Authority Reserves</b>		<b>(602,634)</b>	<b>0</b>	<b>12,970</b>	<b>(589,664)</b>

## NOTES TO THE FINANCIAL STATEMENTS

The nature and purpose of these reserves is as follows:

### a) General Fund Balance

The General Fund Balance shows whether the council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

### b) Schools Balances

The sums in the table below represent the reserves built up by schools from their delegated budgets. These are earmarked for future use by these schools and are not therefore available to the council for general use.

31 Mar 2010		31 March 2011		
Net		Surplus	Deficit	Net
£'000		£'000	£'000	£'000
(61)	Nursery	(81)	0	(81)
(7,092)	Primary	(6,662)	0	(6,662)
(323)	Secondary	(195)	0	(195)
(359)	Special	(375)	62	(313)
<u>(7,835)</u>		<u>(7,313)</u>	62	<u>(7,251)</u>
(1,750)	Foundation	(1,901)	0	(1,901)
<u>(9,585)</u>	<b>Total Revenue Reserve</b>	<u>(9,214)</u>	<b>62</b>	<u>(9,152)</u>

Under the government's Standards Fund Grant arrangements, it is now possible for authorities to carry forward unspent Standards Fund Grant to be spent in the following financial year. There is a restriction to the carry forward arrangements for these schools in that the grant must be spent by August 2011. The exception to this is Devolved Capital to Schools, which can be carried forward for up to three years.

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1<sup>st</sup> April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation Schools in the Balance Sheet. Please see note 32 to the Financial Statements for further details.

# NOTES TO THE FINANCIAL STATEMENTS

---

## **c) Housing Revenue Account Balance**

The Housing Revenue Account is a ring fenced account which deals with the provision and maintenance of council houses and flats. This reserve represents the balance of under and overspends against budget and the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

## **d) Bad and Doubtful Debt Reserve**

Under FRS12, Local Authorities are required to calculate a provision for impairment on loans and receivables in place of the Bad Debt Provision used in previous years.

The Impairment Provision is calculated on an incurred losses basis, and this has resulted in a lower provision than was previously recognised in the Balance Sheet.

The code states that authorities are able to create an earmarked reserve where material differences exist between the Bad Debt Provision and the new Impairment Provision.

A project is ongoing to review all aged debt, and this reserve will be used to offset the cost to the council of any resulting write-offs. Details of the Provision for Impairment on Loans and Receivables can be found in note 38 to the Financial Statements.

## **e) Building Asset Renewal Reserve**

This is a new reserve set up to recognise that there are a number of Building Assets held by Milton Keynes Council which require funds for their upkeep. The reserve recognises that to fulfil responsibilities as a property owner, funds need to be set aside to avoid adverse impact on the general fund.

## **f) SALIX Reserve**

The SALIX Reserve holds funding for carbon management schemes. The council has agreed to establish and operate a local fund to assist in reducing energy use within its boundary through the uptake of energy saving and renewable energy technologies. The reserve holds the funding received from SALIX and the match funding put into the local fund by the council as outlined in the terms of the funding agreement.

## **g) Repairs and Renewals Funds**

Bradwell Abbey - The reserve is held to ensure, firstly, that the council's obligations in respect of Bradwell Abbey are appropriately funded and, secondly, that a contingency fund is built to fund anticipated periodic major expenditure on the fabric of this historic building. The reserve is accessed by the budget holder in response to approved requests from the City Discovery Centre for payment of necessary repairs/improvements.

## NOTES TO THE FINANCIAL STATEMENTS

---

Footpaths - This reserve holds monies received from developers for improvements on footpaths within Fishermead.

### **h) Budget Rollovers**

These funds will be used to fund specific projects in future years. They are assessed each year to ensure that the funding is necessary and that the relevant project is still required.

### **i) Planning Gains**

The purpose of a planning obligation is to address the impact arising from a proposed development and to require the landowner to undertake measures to make the planning application acceptable to the local planning authority. The council can negotiate planning gains from developers where a need is identified for infrastructure and facilities, which arises from the new development. Therefore, there is a direct relationship between the impact on the local infrastructure created by the new development and what the council should be seeking.

The planning gains identified are, in almost every case, linked to a specific parish or area within the council where a main development has taken place. The purposes stated for the use of such gains range from general use (e.g. improvements to physical or social infrastructure) to somewhat more specific requirements such as provision of public artwork. In a few instances, the use can cover a wide area for example public access or transport initiatives.

### **j) Benefit Subsidy Reserve**

This reserve was set up to cover potential liabilities resulting from possible over-claimed benefit subsidies identified in the audit of such claims. The reserve covers the potential of having the 100% subsidy incentive on LA error overpayments above the lower threshold raised in the 2010/11 claim being clawed back. The Benefits Service has hit the lower threshold levels of LA error overpayments, which means that a 100% subsidy can be claimed on these overpayments. The subsidy claim will be audited from June 2011 (with a deadline for submission of the audited claim at the end of November). Eighty cases are checked in detail on the subsidy audit. If one case is found to be coded incorrectly (i.e. coded as Claimant error and should have been LA error), the Audit Commission will ask the council to do further testing. Dependent upon the results of further testing there is a potential for the error to be extrapolated. If the extrapolation then brings the level of LA error overpayments above the thresholds, then there is potential for 100% of the incentive (at worst) and 40% of the incentive (at best) to be clawed back.

### **k) Insurance Reserve**

The council's insurance arrangements involve both internal and external cover. Internal cover is provided by way of an earmarked reserve for all claims notified to the council by 31<sup>st</sup> March each year (the amount provided for those claims being based on advice from the council's Insurers). Some risks are not fully funded, with losses up to a specified amount being met from revenue as they arise. To obtain

## NOTES TO THE FINANCIAL STATEMENTS

---

insurance cover in the most cost effective manner, the council has chosen to carry excesses in respect of claims made under liability and material damage insurances. A reserve has been set up from the council's internal funds to cover self-insured risks. This reserve is based on the total potential liability that could accrue up to 31<sup>st</sup> March 2011.

At 31<sup>st</sup> March 2010, the reserve stood at £3,059,000. During the year, the balance was decreased by £712,000 to £2,347,000 following a review of outstanding insurance risk.

Details of the internal insurance arrangements are provided in the Accounting Policy note 16.

### **l) Debt Financing Reserve**

This reserve was established during 2004/05 to fund debt financing budget shortfalls that may arise due to factors beyond the control of the council

### **m) Lease Rental Equalisation Reserve**

This reserve was established during 2004/05 to manage the budget implications of the change in accounting treatment of lease rentals from cash to an accruals basis.

### **n) Saxon Court Dilapidation Reserve**

This reserve was established in 2009/10 in recognition of the council's commitment that on relinquishment of its lease it will return the Saxon Court premises to the standard of the building at the commencement of the contract, or to pay an agreed equivalent cash sum to the landlord. The balance will be built up year-on-year, to reach £1.2m by 2015.

### **o) Revenue Financing Reserve**

This reserve includes monies for arts and sports endowments to cover the cost of facilities planned for construction, traffic calming and the cost of maintaining and repairing works of art within the borough.

### **p) One Off Expenditure Reserve**

This reserve was set up in 2009/10 to finance One-off expenditure items in 2010/11 budget and future years.

### **q) CCTV Reserve**

This reserve is for the funding for the partnership project between Milton Keynes Council and Thames Valley Police to construct and equip the new CCTV control room at Thames Valley Police station

## NOTES TO THE FINANCIAL STATEMENTS

---

### **r) Landfill Allowance Reserve**

This reserve was established during 2005/06 to comply with statutory requirements. The reserve can be used when the amount of biodegradable municipal waste (BMW) land-filled exceeds that permitted in any year.

### **s) Local Authority Business Growth Incentive (LABGI) Grant Reserve**

This reserve holds unspent grant monies received in respect of the LABGI scheme. Of the balance in the reserve at 31<sup>st</sup> March 2011 represents the final distribution of funds under this scheme and has not been allocated by the council

### **t) Car Parking Surplus Reserve**

The Parking Surplus reserve was set up under the terms of Section 55 of the Road Traffic Regulation Act 1984. The reserve holds any surplus achieved through the provision of on-street parking (known as the Road Charging Scheme under the Transport Act 2000) to be spent in accordance with the Act. This reserve was previously called Special Parking Reserve.

### **u) Radcliffe Reserve**

This is a new reserve set up in 2010/11 as part of the sale of land at Radcliffe School to David Wilson Homes. There are various future commitments under the deal and the funds held in this reserve are held to ensure that funds are available to meet the next tranche of payments in 2012/13. The reserve will be assessed on a regular basis as property values move and any overage under the deal can be better evaluated.

### **v) Redundancy & Reorganisation reserve**

This reserve was created from one-off underspends in 2010/11 to meet the forecast costs of redundancies arising from reductions and restructuring of services in response to the financial pressure the council is facing.

### **w) Value for Money Reserve**

This reserve has been set up to ensure adequate funding for Value for Money projects in 2009/10 and beyond.

### **x) Adult Social Care**

In Adult Social Care there are reserves for Learning Disability Ordinary Residency (£200,000), Demand-led pressures in Older People Services (£200,000) and Sheltered Housing modernisation of Older People Services (£250,000).



# NOTES TO THE FINANCIAL STATEMENTS

## y) Childrens Demand Reserve

This reserve is to fund potential additional costs arising from an increase in demand for children's services.

## z) Other Reserves

These reserves comprise monies to cover the costs of transferring management of the Woughton Leisure Centre & Sports Ground to Milton Keynes Council (£113,000); Lakes Regeneration Reserve (£100,000) set aside in 2009/10 to fund consultation services on the future of the Lakes estate. Monies provided by individuals for specific purposes, and maintenance budget underspends to be utilised in future years on areas such as Access MK (£56,000). This reserve also includes a number of small reserves such as HR Training Reserve, IT Reserve, Building Control reserve and Broadband Trading Service reserve.

## aa)Capital Reserve

The General Fund and Housing Revenue Account capital reserve holds contributions from the Comprehensive Income and Expenditure Statement and Housing Revenue Account to fund capital expenditure.

The balance at year end represents those amounts unapplied during 2010/11. These will be carried forward to fund capital expenditure in 2011/12 and future years. The balance can be analysed as follows:

	<b>General Fund</b>	<b>Housing Revenue Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2010</b>	(227)	(656)	(883)
Revenue Contributions	82	(3,025)	(2,943)
<b>Balance at 31 March 2011</b>	<b><u>(145)</u></b>	<b><u>(3,681)</u></b>	<b><u>(3,826)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### bb) Useable Capital Receipts

The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure. This is calculated following the deduction of Deferred Capital Receipts and setting aside any statutory / voluntary amounts for the repayment of external loans.

	£'000
<b>Balance at 1 April 2010</b>	<b>(5,362)</b>
Capital Receipts in year from Sale of Assets	(10,135)
Capital Receipts in year from Repayments of Advances	(8)
Other Capital Receipts in year	(22)
	<u>(15,527)</u>
<b>Less:</b>	
Capital Receipts applied to finance capital expenditure	1,661
Deferred Capital Receipts in year from Sale of Assets	8,260
Statutory Pooling	878
	<u>10,799</u>
<b>Balance at 31 March 2011</b>	<b><u>(4,728)</u></b>

### cc) Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds capital grants received into the Comprehensive Income and Expenditure Statement and Housing Revenue Account to fund capital expenditure.

The balance at year end represents those amounts unapplied during 2010/11. These will be carried forward to fund capital expenditure in 2011/12 and future years. The balance can be analysed as follows:

	General Fund £'000	HRA £'000	Total £'000
<b>Balance at 1 April 2010</b>	<b>(14,970)</b>	<b>(2)</b>	<b>(14,972)</b>
Government Grants	(3,800)	0	(3,800)
Third Party Contributions	22	0	22
<b>Balance at 31 March 2011</b>	<b><u>(18,748)</u></b>	<b><u>(2)</u></b>	<b><u>(18,750)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### dd) Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £'000		2010/11 £'000
<b>(96,289)</b>	<b>Balance at 1 April 2010</b>	<b>(97,211)</b>
(26,828)	Upward revaluation of assets	(7,854)
19,172	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of Services	2,952
<u>(7,656)</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>(4,902)</u>
1,998	Difference between fair value depreciation and historical cost depreciation	1,754
4,736	Accumulated gains on assets sold or scrapped	5,310
<u>6,734</u>	Amount written off to the Capital Adjustment Account	<u>7,064</u>
<b><u>(97,211)</u></b>	<b>Balance at 31 March 2011</b>	<b><u>(95,049)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

---

### **ee)Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 31 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The table on the following page shows the movement in year for the Capital Adjustment Account.

## NOTES TO THE FINANCIAL STATEMENTS

	2010/11 £'000	2010/11 £'000
<b>Balance at 1 April 2010</b>		<b>(711,378)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current	32,448	
Revaluation losses on Property, Plant and Equipment	138,701	
Amortisation of intangible Assets	768	
Revenue Expenditure Funded from Capital Under Statute	10,344	
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	19,824	
	<hr/>	202,085
Adjusting amounts written out of the Revaluation Reserve		(7,064)
Net written out amount of the cost of non-current assets		<hr/> (516,357)
Capital financing applied in the year:		
Use of the Capital Reserve to finance new capital expenditure	(1,660)	
Use of the Major Repairs Reserve to finance new capital expenditure	(4,897)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,691)	
Application of grants to capital financing from the Capital grants Unapplied Account	(4,545)	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,421)	
Capital expenditure charged against the General Fund and HRA balance	(3,349)	
	<hr/>	(45,563)
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
<b>Balance at 31 March 2011</b>		<b><u>(561,920)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### ff) Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are posted to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the income/expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the impact on council tax. In the council's case, for premiums this period is the unexpired term that was outstanding on the loans when they were redeemed or the period to the financial year in which the replacement loan is due to be repaid, whichever is the later, and for discounts is the shorter of the unexpired term of the replacement loan or 10 years.

2009/10 £'000		2010/11 £'000
628	<b>Balance at 1 April 2010</b>	446
(206)	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
10	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	50
14	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
<u>446</u>	<b>Balance at 31 March 2011</b>	<u>496</u>

## NOTES TO THE FINANCIAL STATEMENTS

---

### gg) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £'000		2010/11 £'000
124,084	<b>Balance at 1 April 2010</b>	263,795
133,041	Actuarial gains or losses on pensions assets and liabilities	(135,929)
22,096	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	30,063
(15,426)	Employer's pension contributions and direct payments to pensioners payable in the year	(15,764)
<u>263,795</u>	<b>Balance at 31 March 2011</b>	<u>142,165</u>

## NOTES TO THE FINANCIAL STATEMENTS

### hh) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £'000		2010/11 £'000
(97)	<b>Balance at 1 April 2010</b>	(81)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,260)
16	Transfer to the Capital Receipts Reserve upon receipt of cash	7
<u>(81)</u>	<b>Balance at 31 March 2011</b>	<u>(8,334)</u>

### ii) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £'000		2010/11 £'000
(150)	<b>Balance at 1 April 2010</b>	(430)
(280)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,669)
<u>(430)</u>	<b>Balance at 31 March 2011</b>	<u>(2,099)</u>



# NOTES TO THE FINANCIAL STATEMENTS

## jj) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2009/10 £'000		2010/11 £'000
1,075	Balance at 1 April 2010	1,104
(1,075)	Settlement or cancellation of accrual made at the end of the proceeding year	(1,104)
1,104	Amounts accrued at the end of the current year	910
0	Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
<u>1,104</u>	Balance at 31 March 2011	<u>910</u>

## 44.NET ASSETS EMPLOYED

The analysis of net assets employed over the various funds of the council is as follows:

31 Mar 2010 £'000		31 Mar 2011 £'000
(48,630)	General Fund	(188,730)
(429)	Collection Fund	(2,099)
(16,270)	Trading Services	(7,251)
(537,305)	Housing Revenue Account	(391,584)
<u>(602,634)</u>	Total	<u>(589,664)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 45. CASH AND CASH EQUIVALENTS

The table below provides an analysis of the components of cash and cash equivalents.

	Balance 31 Mar 2010 £'000	Balance 31 Mar 2011 £'000	Movement In Year £'000
Cash held by the Authority	583	953	370
Short-term deposits with Financial Institutions	10,985	8,640	(2,345)
Bank Overdraft	(16,355)	(17,613)	(1,258)
<b>Total cash &amp; cash equivalents</b>	<b>(4,787)</b>	<b>(8,020)</b>	<b>(3,233)</b>

## 46. NET CASH FLOW FROM OPERATING ACTIVITIES

The table below provides an analysis of non cash items and investing and financing activities included in the provision of services as presented in the Cash Flow Statement.

2009/10 £'000		2010/11 £'000
(24,221)	<b>Net (Surplus)/Deficit on the provision of services</b>	<b>166,371</b>
	<b><u>Non cash item in the provision of services</u></b>	
(16,824)	Depreciation and Impairment of non-current assets	(164,075)
72,745	Government Grants Deferred Amortisation	0
(5,298)	(Increase) / decrease in Creditors	(636)
(1,617)	Increase / (decrease) in Debtors	(17,837)
(16)	Increase / (decrease) in Inventories	572
150	(Increase) / decrease in Provisions	(667)
(7,293)	Pension Liabilities	(14,299)
(31,025)	Carrying amount of non-current assets sold	(9,714)
3	Financial Instruments	(7)
(468)	Housing Capital Receipts Pool	(878)
(182)	Amortised Premiums	50
6,177	Revenue Expenditure funded from Capital Under Statute	6,062
1,959	Local Government Reorganisation Transferred Debt	1,959
4,627	Other non-cash items charged to the net surplus or deficit on the provision of service	7,491
<b>22,938</b>	<b>Total Non cash item in the provision of services</b>	<b>(191,979)</b>
	<b><u>Investing and Financing activities included in the provision of services</u></b>	
(11,871)	Interest payable and similar charges	(15,550)
3,415	Interest and investment income	1,481
<b>(8,456)</b>	<b>Total Investing and Financing activities included in the provision of services</b>	<b>(14,069)</b>
<b>(9,739)</b>	<b>Net Cash flow from Operating Activities</b>	<b>(39,677)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL INSTRUMENTS

International Financial Reporting Standard IAS 39 Financial Instruments Recognition and Measurement, IAS 32 Financial Instruments Presentation and IFRS 7 Financial Instruments Disclosures require that all local authorities provide information about the impact of financial instruments on their risk profile, how the risks arising from financial instruments might affect their performance and financial condition, and how these risks are being managed.

### a. Financial Instrument Balances

The borrowings, investments, trade debtors and creditors disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 Mar 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011
	£'000	£'000	£'000	£'000
Loans and Receivables	5,000	5,000	71,699	76,073
Available-for-sale Financial Assets	0	0	0	0
Unquoted Equity Investment at Cost	0	0	0	0
Financial Assets at fair value through profit or loss	0	0	0	0
<b>Total Investments</b>	<b>5,000</b>	<b>5,000</b>	<b>71,699</b>	<b>76,073</b>
Loans and Receivables	0	0	11,903	21,151
Financial Assets at fair value through profit or loss	0	0	0	0
<b>Total Debtors</b>	<b>0</b>	<b>0</b>	<b>11,903</b>	<b>21,151</b>
Financial Liabilities at amortised cost	288,204	283,204	12,353	17,353
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>288,204</b>	<b>283,204</b>	<b>12,353</b>	<b>17,353</b>
PFI and Finance Lease Liabilities	(6,687)	(5,465)	0	0
<b>Total other long term liabilities</b>	<b>(6,687)</b>	<b>(5,465)</b>	<b>0</b>	<b>0</b>
Financial Liabilities at amortised cost	0	0	30,499	32,606
Financial Liabilities carried at contract amount	0	0	0	0
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>30,499</b>	<b>32,606</b>

## NOTES TO THE FINANCIAL STATEMENTS

---

### **b. Reclassifications of financial instruments**

During 2010/11, there have been no reclassifications between financial assets measured at fair value and those measured at amortised cost.

### **c. De-recognition of financial instruments**

In 2010/11 there have been no financial assets transferred in such a way that the assets did not qualify for de-recognition.

### **d. Allowance account for credit losses**

The council has created a provision for impairment of loans and receivables. Each class of debt is reviewed and any impairment resulting from issues such as changes in the economic climate or the financial position of the debtor is calculated. This is known as the incurred losses method.

Full details of this provision can be found in note 38 to the Financial Statements.

### **e. Defaults and Breaches**

In respect of loans payable by the council during 2010/11, there have been no breaches or defaults.

## NOTES TO THE FINANCIAL STATEMENTS

### f. Financial Instruments Income, Expenses, Gains and Losses

The income, expenses, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2009/10 Financial Liabilities Measured at Amortised Cost £'000	2009/10 Financial Assets: Loans and Receivables £'000		2010/11 Financial Liabilities Measured at Amortised Cost £'000	2010/11 Financial Assets: Loans and Receivables £'000
(15,818)	0	Interest Expense	(15,512)	0
0	0	Losses on De-recognition	0	0
0	0	Impairment Losses	0	0
0	0	Fee expense	0	0
		<b>Total expense in Surplus or Deficit on the Provision of Services</b>		
<b>(15,818)</b>	<b>0</b>		<b>(15,512)</b>	<b>0</b>
0	2,854	Interest Income	0	1,300
		Interest income accrued on impaired		
0	0	Financial assets	0	0
0	0	Gains on Derecognition	0	0
0	0	Fee Income	0	0
		<b>Total income in Surplus or Deficit on the Provision of Services</b>		
<b>0</b>	<b>2,854</b>		<b>0</b>	<b>1,300</b>
		<b>Total Surplus or Deficit on the Provision of Services</b>		
<b>(15,818)</b>	<b>2,854</b>		<b>(15,512)</b>	<b>1,300</b>

## NOTES TO THE FINANCIAL STATEMENTS

### g. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets are represented by loans and receivables and carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Information supplied by PWLB at 31<sup>st</sup> March 2011 for PWLB loans and by Sector for other loans and receivables;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans is comprised of fixed rate loans where the interest rate payable is higher than the prevailing rate at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2011) arising from a commitment to pay interest to lenders above current market rates.

The fair value of assets is higher than the carrying amount because the council's portfolio of investment includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31<sup>st</sup> March 2011) attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

31 Mar 2010			31 Mar 2011		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000	£000		£000	£000	
285,298	318,676	Public Works Loan Board	285,298	286,610	
15,259	18,509	Market Borrowing	15,259	17,674	
30,499	30,499	Short Term Trade Creditors	32,606	32,606	
<b>331,056</b>	<b>367,684</b>	<b>Financial Liabilities at amortised cost</b>	<b>333,163</b>	<b>336,890</b>	
76,699	77,480	Investments	81,073	81,135	
11,903	11,903	Short Term Trade Debtors	21,151	21,151	
<b>88,602</b>	<b>89,383</b>	<b>Loans and Receivables</b>	<b>102,224</b>	<b>102,286</b>	

# NOTES TO THE FINANCIAL STATEMENTS

## h. Nature and Extent of Risks Arising from Financial Instruments

The council activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the council
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. In accordance with the council's treasury policies, deposits are not made with banks and financial institutions unless they are rated independently and comply with the matrix compiled by the council's treasury advisors. The council also limits the total invested with individual counterparties.

The credit criteria in respect of financial assets held by the authority are as detailed below:

	Criteria	Fitch rating (minimum)	Maximum Investment £'000	Maximum term
<b>Deposits with banks</b>	Long term Short term Support	AA- F1+ 1	25,000 0 0	12 months
<b>Deposits with Building societies</b>	Long term Short term Support	AA- F1+ 1	0 0 0	Not Applicable

## NOTES TO THE FINANCIAL STATEMENTS

The following analysis summarises the council's potential maximum exposure to credit risk, based on experience of default adjusted to reflect current market conditions.

	Amount at 31 Mar 2011 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 Mar 2011 % C	Estimated Maximum Exposure to Default and Uncollectibility £'000 D
Deposits with Banks and Financial Institutions	81,073	0.00%	0.00%	0
Bonds	0	0.00%	0.00%	0
<b>Customers:</b>				
Housing Rents	3,754	6.88%	6.88%	258
Residential Care	936	1.00%	1.00%	9
Home Care	251	1.00%	1.00%	3
Former Tenant Arrears	893	90.00%	90.00%	804
Commercial Rents	439	0.00%	0.00%	0
Sundry Debtors	17,397	16.42%	16.42%	2,857
	<b>23,670</b>			<b>3,931</b>
Benefits Overpayments	3,148	100.00%	100.00%	3,148
<b>Total Customer Debt</b>	<b>26,818</b>			<b>7,079</b>

The past due amount which has not been impaired can be analysed by age as follows:

2009/10 £'000		2010/11 £'000
462	Less than three months	1,670
337	Three to six months	194
359	Six months to one year	139
591	More than one year	486
<b>1,749</b>		<b>2,489</b>



## NOTES TO THE FINANCIAL STATEMENTS

The past due amount which has been impaired can be analysed as follows:

2009/10 £'000		2010/11 £'000
1,052	Less than three months	30
33	Three to six months	186
48	Six months to one year	154
1,232	More than one year	1,498
<b><u>2,365</u></b>		<b><u>1,868</u></b>

The factors considered by the council in taking the decision to impair the debt include:

- Any significant financial difficulty for the borrower
- Any breach of contract or default
- The council having granted a concession based on difficulty for the borrower
- The likelihood of the borrower entering bankruptcy
- Any observable data indicating a measurable decrease in future estimated cash flows.

The council holds no collateral in respect of the outstanding debt detailed above.

### Liquidity Risk

As the council has ready access to borrowing from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the council may have to raise new loans at a time of unfavourable interest rates. In this instance short term loans will be taken until rate becomes favourable.

The table below sets out the maturity analysis of financial liabilities held by the council.

2009/10 £'000		2010/11 £'000
10,000	Less than one year	15,000
15,000	Between one and two years	10,000
48,000	Between two and five years	59,150
225,204	More than five years	214,054
<b><u>298,204</u></b>		<b><u>298,204</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

---

## Market Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments and has a number of strategies for managing interest rate risk. These are set out in the annual treasury strategy which is approved by council in February each year.

The table below sets out the financial impact if interest rates had been 1% higher.

2009/10 £'000		2010/11 £'000
0	Increase in interest payable on variable rate borrowings	0
(270)	Increase in interest receivable on variable rate investments	(479)
(2,790)	Increase in government grant receivable for financing costs	(2,815)
<u>(3,060)</u>	Surplus or Deficit on the Provision of Services	<u>(3,294)</u>
<u>(736)</u>	Share of overall impact debited to the HRA	<u>(773)</u>
	Decrease in fair value of fixed rate investment assets	
<u>(1,128)</u>	Impact on Other Comprehensive Income and Expenditure	<u>6</u>
<u>26,120</u>	Decrease in fair value of fixed rate borrowings liabilities	<u>29,323</u>

## Price Risk

The council does not invest in equity shares and therefore is not exposed to losses arising from movements in the prices of shares.

## Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to loss arising from movements in exchange rate.

# NOTES TO THE FINANCIAL STATEMENTS

## 48. LEASES

### a. Council as Lessee – Finance Lease

The council has acquired IT items, Vehicles, Plant and Equipment under finance leases.

The assets acquired under these leases are carried as Vehicles, Plant and Equipment and Intangibles in the Balance Sheet at the following net amounts:

31 Mar 2010 £'000		31 Mar 2011 £'000
3,877	Vehicles, Plant, Furniture and Equipment	2,719
3,343	Intangibles	2,786
<u>7,220</u>		<u>5,505</u>

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 Mar 2010 £'000		31 Mar 2011 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
1,351	- current	1,357
5,336	- non-current	4,108
627	Finance costs payable in future years	322
<u>7,314</u>	Minimum lease payments	<u>5,787</u>

## NOTES TO THE FINANCIAL STATEMENTS

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 Mar 2010</b>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>	<b>31 Mar 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	1,529	1,433	1,351	1,357
Later than one year and not later than five years	4,768	4,354	4,395	4,108
Later than five years	1,017	0	941	0
	<b>7,314</b>	<b>5,787</b>	<b>6,687</b>	<b>5,465</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 there were no contingent rents payable by the council (2009/10 £0).

The council does not sub-let any of the assets acquired under these finance leases.

### **b. Council as Lessee – Operating Lease**

The council has acquired some of its vehicles, plant and equipment by entering into operating leases, with typical lives of 5 years. It also leases some of its property.

The future minimum lease payments due under non-cancellable leases in future years are:

<b>31 Mar 2010</b>		<b>31 Mar 2011</b>
<b>£'000</b>		<b>£'000</b>
2,396	Not later than one year	2,457
6,767	Later than one year and not later than five years	6,562
5,631	Later than five years	4,491
<b>14,794</b>		<b>13,510</b>

The council has sub-let two of the property assets acquired under these operating leases.

At 31<sup>st</sup> March 2011 the future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £39,200 (£38,400 31<sup>st</sup> March 2010).

## NOTES TO THE FINANCIAL STATEMENTS

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 Mar 2010 £'000		31 Mar 2011 £'000
2,924	Minimum lease payments	2,902
0	Contingent rents	0
0	Sublease payments receivable	0
<u>2,924</u>		<u>2,902</u>

### c. Council as Lessor – Finance Leases

The council has not leased out any property on a finance lease.

### d. Council as Lessor – Operating Leases

The council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 Mar 2010 £'000		31 Mar 2011 £'000
1,867	Not later than one year	1,578
5,509	Later than one year and not later than five years	4,759
18,570	Later than five years	16,150
<u>25,946</u>		<u>22,487</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £91,000 contingent rents were receivable by the council (£122,000 in 2009/10).

# NOTES TO THE FINANCIAL STATEMENTS

---

## 49. LONG TERM CONTRACTS

### a. Public Private Partnership – Mouchel Business Services

On 1<sup>st</sup> January 2004 the council entered into a 12-year contract with HBS, now trading as Mouchel Business Services at an approved cost of £207,120,000 excluding inflation, work volume changes or any additional work commissioned. The contract, which is a public private partnership arrangement, covers the provision of administration, facilities management, finance, human resources, ICT, revenues and benefits and management of several other services. As at 31<sup>st</sup> March 2011 there was an undischarged obligation under this contract, calculated pro rata on a 2004 price base, of £81,985,000.

### b. Responsive Repairs and Voids

In April 2006, the council entered into a contract with MITIE Property Services UK Ltd for responsive repairs to council housing stock. The actual level of payments will depend on the council's take up of repairs work but has an estimated value of £25,000,000. The initial period of the contract was for five years and was due to expire in March 2011 but in March 2010 Cabinet agreed to a one year extension until March 2012.

### c. Council Housing Stock

In October 2005, the council entered into a four year contract with Apollo London Ltd to be a strategic partner in major works to council housing stock. In September 2009, the council entered into an additional four year contract with Apollo Group to continue these services. The contract is valued at £16,000,000 and is scheduled to end in September 2013.

In April 2009, the council entered into a contract with Potton Windows Ltd for replacement windows and doors to council housing stock. The contract is valued at £8,000,000 and is scheduled to end in October 2013.

### d. Waste

In March 2009, the council entered into a contract with Serco Limited for the collection and disposal of waste within the borough. The contract with Serco is £11,000,000 and is due to end in March 2016.

### e. Construction Related Professional Services

In January 2009, the council entered into a three year contract, which has now been extended for another year for the project management, cost control, construction, design and management consultancy (CDMC) and design. The contract is valued at £6,800,000 and is scheduled to end in 2013.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **f. Organic Waste Treatment Services**

In January 2011, the council entered into a contract with Renewable Power Systems Ltd for the provision, management and operation of a waste treatment facility to treat organic waste collected from within the Borough of Milton Keynes using anaerobic digestion as the primary treatment to Renewable Power System Consortium. The contract is for £10,111,950 and is due to end in January 2026.

### **g. Parking Management Services**

In November 2005, the council entered into a seven year contract with NSL Limited for Parking Enforcement Services. The council pays NSL an annual sum of £1,920,000. The total value for the contract is £13,440,000. This contract is due to end in October 2012.

### **h. Provision of Temporary Workers**

This contract was awarded to Manpower UK Ltd in January 2011 for a period of 3 years, with a potential one year extension. All requirements for temporary staff will be routed via this contract, and whilst the contract guarantees no minimum value or volume, the rates of commission are lower than previously applied. The estimated value for this contract is £12,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

---

## 50. INVESTMENT IN COMPANIES

This note discloses details of companies to which the council has appointed directors and who therefore exercise voting rights. The note has been compiled using 2009/10 audited information, (with the exception of MK Web Ltd, who has published their audited accounts for the period to January 2011):

### a. COUNTEC Ltd

During 2009/10, Milton Keynes Council had a 15% representation (one member and one officer appointed by the council) on the Board of Directors of COUNTEC Ltd, which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> July 2010 the company's net assets were £250,679 (£212,770 at 31<sup>st</sup> July 2009), and the net surplus for 2009/10 was £37, 909 (net surplus of £3,822 reported for 2008/09).

The company is principally engaged in the strategic development of education and the promotion of economic development in Milton Keynes and North Buckinghamshire through the organisation of link activities between education and business establishments.

### b. Milton Keynes Theatre and Gallery Ltd

Milton Keynes Council has 8% representation (one member appointed by the council) on the Board of Directors of Milton Keynes Theatre and Gallery Ltd, which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2010 the company's net assets were £294,279 (£295,695 at 31<sup>st</sup> March 2009), and the deficit for 2009/10 was £1,416 (£436,839 deficit reported for 2008/09).

The company was set up to take on the leasehold, management and operation of Milton Keynes Theatre and Gallery. The Theatre and Gallery were built by Milton Keynes Council with the assistance of funding from the National Lottery through the Arts Council of England and the Commission for New Towns.

### c. Milton Keynes Parks Trust Ltd

Milton Keynes Council has 20% representation (four members appointed by the council) on the Board of Directors of Milton Keynes Parks Trust Ltd, which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2010 the company's net assets were £83,227,827 (£57,052,976 at 31<sup>st</sup> March 2009), and the surplus for 2009/10 was £2,091,979 (£367,033 deficit reported for 2008/09).

The company is responsible for the management and maintenance of the major woodlands and parkways of the city of Milton Keynes for the benefit of the inhabitants and visitors to the area.



## NOTES TO THE FINANCIAL STATEMENTS

---

### **d. MOEBLO Ltd**

Milton Keynes Council has no representation on the Board of Directors of MOEBLO Ltd, which is a company limited by guarantee and not having share capital. One council member is on the Board of directors but he stands in his capacity as chairman of Countec. At 31<sup>st</sup> March 2010, the company's net assets were £340 (£585 at 31<sup>st</sup> March 2009), and the deficit for 2009/10 was £245 (deficit £163 reported for 2008/09).

MOEBLO is the Milton Keynes, Oxfordshire and Buckinghamshire Education Business Links Organisation, and it acts as the interface between the Learning and Skills Council and the Education Business Link Organisations through a collaborative consortium framework to enable education business activities to be sustained and developed throughout the above area.

### **e. United Sustainable Energy Agency**

Milton Keynes Council has 29% representation (one member and one officer appointed by the council) on the Board of Directors of United Sustainable Energy Agency, formerly the Milton Keynes Energy Agency Ltd, which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2010 the company's net assets were £463,765 (£376,083 at 31<sup>st</sup> March 2009), and the surplus for 2009/10 was £87,682 (surplus of £43,958 reported for 2008/09).

The principal objective of the company is to educate the public at home and in the workplace towards more efficient and effective use of energy by providing advice and administering practical projects that will lead to a reduction in energy use, reduction of pollution and protection of the environment.

### **f. MK Web Ltd**

Milton Keynes Council has 25% representation (one member appointed by the council) on the Board of Directors of MK Web Ltd. The company has share capital of £100 and is owned by the council (20%) and Lliffe Digital Media Ltd formerly Apollo Digital Media Ltd (80%). At 2<sup>nd</sup> January 2011 the company's net assets were £8,298 (£35,834 deficit at 27<sup>th</sup> December 2009) and the deficit for 2010/11 was £29,174 (deficit of £45,659 reported at 27<sup>th</sup> December 2009).

The company operates a community web site in Milton Keynes to assist local organisations, including the council, to promote their services and Milton Keynes as a business and lifestyle destination. Income to the company from the council comprises less than half of its turnover.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **g. Inter-Action Ltd**

Milton Keynes Council has 13% representation (one member appointed by the council) on the Board of Directors of Inter-Action Ltd which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2010 the company's net assets were £90,597 (£109,345 at 31<sup>st</sup> March 2009) and the deficit for 2009/10 was £18,748 (£36,276 surplus reported for 2008/09).

The company provides a city farm facility, a community cultural garden and facilities for other voluntary sector organisations.

### **h. Milton Keynes Economy and Learning Partnership Ltd**

Milton Keynes Council has 20% representation (one member and one officer appointed by the council) on the Board of Milton Keynes Economy and Learning Partnership Ltd which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2010 the company's net assets were £48,819 (£41,411 as at 31<sup>st</sup> March 2009) and the surplus for 2009/10 was reported at £7,408 (£8,657 surplus in 2008/09).

The company is responsible for the promoting of the economic and learning interests of Milton Keynes and the surrounding area.

### **i. Shenley Leisure Centre Trust Ltd**

Milton Keynes Council has 20% representation (three members appointed by the council) on the Board of Directors of Shenley Leisure Centre Trust Ltd which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2010 the company's net assets were reported to be £879,293 (£877,101 for 2008/2009) and the surplus for 2009/10 was reported at £2,192 (£7,016 deficit for 2008/09).

The principle activity of the company is the provision of leisure, sports and recreation activities at the Shenley Leisure Centre.

### **j. Milton Keynes City Centre Management Ltd**

Milton Keynes Council has 8% representation (one member appointed by the council) on the Board of Directors of Milton Keynes City Centre Management Ltd (formerly Central Milton Keynes Company Ltd), which is a company limited by guarantee and not having share capital. The company's net assets as at 31<sup>st</sup> March 2010 were £111,195 (£160,945 for 2008/09).

The purpose of the company is to work for the development and regeneration of the town centre and surrounding areas as a safe and welcoming environment for all.

## NOTES TO THE FINANCIAL STATEMENTS

---

### **k. National Hockey Foundation**

Milton Keynes Council has 11% representation (one Member on the Board of Directors) of the National Hockey Foundation, which is a charitable company, limited by guarantee. The company's net assets as at 31<sup>st</sup> March 2010 were £3,104,543 (£3,183,680 for 2008/2009) and the deficit reported for 2009/10 was £79,137 (£173,596 deficit in 2008/09).

The purpose of the company is the provision of facilities which will enable young people in the UK to play hockey or other games and sports.

### **l. Milton Keynes Play Association**

Milton Keynes Council has a 15% representation (two members appointed by the council) on the Board of Directors of the Milton Keynes Play Association, which is a company limited by guarantee and a registered charity. The company's net assets as at 31<sup>st</sup> March 2010 were £152,779 (£177,403 in 2008/09) and the deficit reported as at 31<sup>st</sup> March 2010 was £24,624 (£48,425 surplus in 2008/09).

The aim of the association is to educate children and young people, resident within Milton Keynes and surrounding areas, through the provision of facilities for recreation and other leisure time occupation.

### **m. MK Dons Education Trust**

Milton Keynes Council has a 33% representation (three members appointed by the council) on the Board of Directors of MK Dons Education Trust, which is a charitable company, limited by guarantee. The company's net assets as at 30<sup>th</sup> June 2010 were £225,006 (£223,052 at 30<sup>th</sup> June 2009) and the surplus reported as at 30<sup>th</sup> June 2010 was £1,954 (£232,052 at 30 June 2009).

The aim of the association is to educate children and young people, resident within Milton Keynes and surrounding areas, through the provision of facilities for recreation and other leisure time occupation.

### **Board Representation**

The table below on the following page summarises the Board representation of Milton Keynes Council for each of the companies listed above:

## NOTES TO THE FINANCIAL STATEMENTS

---

<b>Company</b>	<b>Representation on Board of Directors</b>
	<b>%</b>
Countec Ltd	15
MK Theatre & Gallery Company	8
MK Parks Trust Ltd	20
MOBEBLO Ltd	0
United Sustainable Energy Agency	29
MK Web Ltd	25
InterAction Ltd	13
MK Economy and Learning Partnership Ltd	20
Shenley Leisure	20
Milton Keynes City Centre Management	8
National Hockey Foundation	11
MK Play Association	15
MK Dons Education Trust	33

### Other Companies

The council has identified a further 34 organisations to which Councillors, 23 in total, have been appointed and where the actual form of the entity concerned takes the form of a company and where the Councillors concerned may be involved in decision-making by the controlling body, i.e. the Board of Directors.

In all cases these companies are recorded at Companies House as companies limited by guarantee and not having share capital. Essentially these appointments are made in response to requests from the organisations concerned because of some common purpose or activity in relation to the council's own diverse activities, not to oversee any council financial investment. Related party transactions with these companies have been considered by the council and are in no instance considered to be material.

Financial transactions between the council and all of the above companies scheduled in paragraphs a) to m) inclusive have been included in the figures for Related Parties' Transactions in note 51 to the Financial Statements.

Copies of the published accounts for each of the above organisations can be made available on request. Please contact the Strategic Finance Department, Milton Keynes Council and a copy will be made as soon as the respective accounts are published.

# NOTES TO THE FINANCIAL STATEMENTS

---

## 51. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties-bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows an assessment of the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

All Members of the council, the Chief Executive, Directors, Assistant Directors, Heads of Services and employees were sent a questionnaire asking them to disclose any transactions with related parties. Consideration has been given to the Declarations of Interests supplied by these officers and material transactions have been identified.

During 2010/11, the council entered the following transactions with related parties. Works and services to the value of £3,838,000 (£3,509,000 2009/10) were commissioned from companies in which 30 officers had an interest. Of this amount £1,918,000 was paid over to Milton Keynes College. This figure comprises a large number of contributions for 14-19 projects. A further £334,000 was paid over to United Sustainable Energy Agency who provides a service to help reduce carbon, adapt to climate change and tackle fuel poverty.

The council awarded grants totalling £6,107,000 in 2010/11 (£1,026,000 2009/10) to voluntary organisations in which 17 officers had an interest. Of this amount Grants totalling £5,454,000 (£475,000 2009/10) was awarded to Milton Keynes College. Milton Keynes Council was required to start paying Young People's Learning Agency (YPLA) funds to 16-18 learning providers from April 2010.

Income received during 2010/11 totalled £585,000 (£2,081,000 2009/10) from 33 organisations in which 31 officers had an interest. Of this sum, £250,000 relates to rent income from Serco Limited.

In addition Discretionary Rate Relief of £58,000 (£168,000 in 2009/10) was awarded to 21 organisations in which 19 officers had an interest.

Three Members are on the Board of the Shenley Leisure Centre Trust. One Member has an interest in Shenley Leisure Centre Trading Ltd. Transactions between the council and the Leisure Trust in 2010/11 totalled £252,000 in grants (£261,000 2009/10) and £11,000 in discretionary rate relief. £1,000 was paid over to the Trading Company for Works and Services.

The outstanding amounts owed by related parties at the end of 31<sup>st</sup> March 2011 totalled £177,000 (£396,000 31<sup>st</sup> March 2010). Of this amount £80,000 was owed by Serco. The outstanding amount owed to related parties at the end of 31<sup>st</sup> March 2011 totalled £572,000 (£119,000 31<sup>st</sup> March 2010). This sum includes £391,000 owed to Milton Keynes College.

## NOTES TO THE FINANCIAL STATEMENTS

---

Details of all the transactions are available for inspection on request and are included in the Comprehensive Income and Expenditure Statement on page 41. No other material related party transactions have been disclosed.

### **52. GROUP ACCOUNTS**

During 2007/08 Milton Keynes Council formed a company called Connect MK, in partnership with Freedom4 to provide a broadband service to residents and businesses within the borough of Milton Keynes.

Connect MK's board of directors comprises three heads of service and one council member.

Connect MK achieved turnover of £149,000 in 2010/11 and expenditure totalled £142,000. The council has taken the view that the activity of the company does not therefore warrant full group accounts disclosures.

# NOTES TO THE FINANCIAL STATEMENTS

---

## 53. TRUST FUNDS

The council acts as trustee for the following Trust Funds:

- a. The MK Emergencies Trust Fund - The Trust was established to make payments to people who have suffered extreme hardship as a result of flooding within the Borough. The value of the fund at 31<sup>st</sup> March 2011 was £10,965 (£10,959 at 31<sup>st</sup> March 2010). Expenditure of £Nil was incurred in 2010/11 (£Nil in 2009/10).
- b. The Filgrave Clock Tower Charitable Trust - The tower is held at nil value in the council's Asset Register and is a charity without endowment. In 2010/11, expenditure on the Tower totalled £322 (£149 in 2009/10).
- c. The Simpson and Fenny Stratford/Bletchley War Memorial Trusts - The trusts were passed to the council to ensure that the memorials were maintained and repaired. There are no funds attached to the trusts and Milton Keynes Council meets all expenditure. However, in 2010/11 there were no costs incurred (£Nil in 2009/10).
- d. The Norman Hawes Memorial Trust Fund - The trust was founded in memory of the late Norman Hawes for the purpose of assisting young people to travel overseas for educational purposes. The value of the fund at 31<sup>st</sup> March 2011 was £87,883 (£84,600 in 2009/10). In 2010/11 dividends and donations received generated an income of £3,561 (£3,488 in 2009/10) and expenditure totalling £2,625 was paid out in grants (£5,290 in 2009/10). The council acts as administrator for the trust.

## 54. CONTINGENT GAINS AND LOSSES

- a. The sale price of land connected with the Radcliffe School and council land sale included overage payments. The final value of overage will not be known until the development is complete.
- b. The build of the Travellers site at Calverton has generated a cost overrun of approximately £147,000. It is hoped that this cost or a proportion of the cost will be recovered from the company responsible for the project management although this is unclear at present.
- c. There is the possibility of legal challenge to the Core Strategy or Development Plan documents. A landowner, developer or other party could challenge the Development Plan documents after public examination, if they consider there are legal grounds to support their interests. There has been some challenges at national level on the Government's intention to abolish Regional Spatial Strategies. This is uncertain and is beyond the council's control. Public examination of the core strategy is to be held in July 2011.
- d. The Court of Appeal has ruled that under Section 117 of the Mental Health Act 1983, local authorities cannot charge for aftercare of people hospitalised for mental health reasons. There is uncertainty over the potential number of



## NOTES TO THE FINANCIAL STATEMENTS

---

claimants yet to come forward and it is therefore not possible to estimate the ultimate cost that may result.

- e. An Adult Social Care provider is seeking approximately £230,000 as recompense for what it considers to be inadequate previous year inflationary uplifts. The provider contends that interim settlements were agreed whereas the council believes the settlements were conclusive. The likelihood of this being paid is possible rather than probable. The claim is complex and it is likely that there will be a substantial counterclaim. Legal teams have become involved and work is ongoing to settle the dispute.
- f. Forty two staff (including casuals) are due to TUPE to Milton Keynes Council on 1<sup>st</sup> June 2011. All staff are on the leisure centre terms and conditions of employment and many are members of a non-LGPS Pension Fund. The pension cessation value figure provided is £603,000 but this is yet to be confirmed by the Fund Actuary. A £43,000 deficit has been identified which may need to be met by Milton Keynes Council.
- g. A former member of school support staff identified an issue in relation to the pro rata term time salary calculation used for term time only staff. Milton Keynes Council implemented the Bucks County Council pay calculation used for schools staff that transferred in 1997 as part of the creation of the new unitary council. The council were required to do so in accordance with the statutory transfer order (TUPE) that applied to all such staff transferring. Legal advice was taken in respect of this issue at the time, which did identify a potential risk to the council if it were further challenged.
- h. The subject of liability under Equal Pay Legislation has been raised with the council over a period of time by the recognised representative organisations. The council's move at a very early stage to single status of its workforce addressed a significant number of anomalies at the time. The council has operated a formal job evaluation process which allocates jobs to the grading structures since that time. The council is moving towards implementing a new job evaluation process which will ensure equality issues do not arise in the future.

Equal pay audit and reviews were carried out and no significant equal pay issues were identified. Whilst there is a belief that there will be no significant pay impact, until the new methodology is in place there is a risk that equal pay issues could be found and each carries with it a liability to the council of the compensation payment of six years to each impacted employee.

More minor issues relating to potential equal pay matters have been addressed and implemented for non-schools employees, a further minor issue has been identified within the schools community and this will be addressed in advance of the implementation of the new scheme(s).

- i. Potential equal pay liabilities as a result of the Job Evaluation exercise are currently unknown. The time scale to provide further information will be dependent on the time taken to reach agreement with the Trade Unions on



## NOTES TO THE FINANCIAL STATEMENTS

---

matters relating to pay/back pay and pay protection. The financial effect will be dependent on these decisions.

- j. A number of staff are to TUPE into Milton Keynes Council in the near future, subject to a commercial agreement. All staff are on company specific terms and conditions of employment and many are members of a non LGPS pension scheme. The company redundancy policy has a high multiplier which would transfer over with staff and one pension strain has been identified as being in excess of £200,000. Discussions are ongoing with the company regarding the comparability of current pension schemes.
- k. As a major employer the council is, from time to time in receipt of employment tribunal claims. There is a potential payment in respect of an employment tribunal claim against the council. It is estimated that the potential damages could be up to £70,000. The Employment Tribunal is expected to give judgement by July 2011.

In addition, the council is liable for payment of compensation to a former employee in relation to a racist comment. The final settlement has yet to be determined but is expected to fall within the range £500 - £6,000. However, it is also possible that the council could be awarded costs and compensation of up to £10,000.

# NOTES TO THE FINANCIAL STATEMENTS

---

## 55. RETIREMENT BENEFITS

### a. Local Government Pension Scheme

#### i) Participation in pension schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in one pension scheme – the Local Government Pension Scheme – which is administered by Buckinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liability with investment assets.

#### ii) Transactions relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

The table on the following page shows the transactions relating to Post-employment Benefits:

## NOTES TO THE FINANCIAL STATEMENTS

2009/10 £'000		2010/11 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Cost of Services</i>	
13,915	Current Service Cost	29,445
0	Past Service Costs	0
308	Settlements and curtailments	360
	<i>Financing and Investment Income and Expenditure</i>	
21,408	Interest Cost	726
(12,912)	Expected Return on scheme assets	(468)
<b>22,719</b>	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>30,063</b>
0	<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	0
<b>133,041</b>	Actuarial gains and losses	<b>(135,929)</b>
<b>155,760</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(105,866)</b>
	<b>Movement in Reserves Statement</b>	
	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code	
(22,719)		(30,063)
	<i>Actual Amount Charged Against the General Fund Balance for Pensions in Year</i>	
15,426	Employers Contributions Payable to Scheme	15,764

The cumulative amount of actuarial loss recognised within the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2011 is a gain of £135,929,000 (£133,041,000 2009/10).

## NOTES TO THE FINANCIAL STATEMENTS

### iii) Assets and Liabilities in Relation to Post-employment Benefits

Below is a reconciliation of the present value of scheme liabilities and a reconciliation of the fair value of the scheme assets:

2009/10 £'000		2010/11 £'000
	<b>Present Value of Liabilities</b>	
(313,407)	<b>1 April 2010</b>	(532,855)
(13,915)	Current Service Cost	(29,445)
(21,408)	Interest Cost	(726)
(5,142)	Contributions by Scheme Participants	(5,736)
(185,440)	Actuarial Gains and Losses	106,206
6,004	Benefits Paid	7,967
0	Past Service Costs	
(318)	Losses/(Gains) on Curtailments	(418)
148	Liabilities extinguished on settlements	220
623	Unfunded Pension Payments	439
<b>(532,855)</b>	<b>31 March 2011</b>	<b>(454,348)</b>
	<b>Reconciliation of Fair Value of Assets</b>	
189,323	<b>1 April 2010</b>	269,060
12,912	Expected Rate of Return	468
52,399	Actuarial Gains and Losses	29,723
16,049	Employer Contributions	15,764
5,142	Contributions by Scheme Participants	5,736
(6,627)	Benefits Paid	(8,406)
(138)	Receipt of bulk transfer value	(162)
<b>269,060</b>	<b>31 March 2011</b>	<b>312,183</b>
<b><u>(263,795)</u></b>	<b>Pension Liability Recognised in the Balance Sheet</b>	<b><u>(142,165)</u></b>

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £299,251,000 (£65,311,000 2009/10).

# NOTES TO THE FINANCIAL STATEMENTS

## iv) Scheme History

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000
Present Value of Liabilities	448,427	525,225	306,810	322,930	327,272
Fair Value of Assets in the Local Government Pension Scheme	(312,183)	(269,060)	(189,323)	(219,045)	(219,821)
Present Value of Unfunded Obligation	5,921	7,630	6,597	6,784	8,028
Surplus/(Deficit) in the Scheme	142,165	263,795	124,084	110,669	115,479

The liabilities show the underlying commitments that the council has in the long run to pay post employment retirement benefits. The total liability of £142.2m has a substantial impact on the net worth of the council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions made to the Local Government Pension Scheme by the council in the year to 31<sup>st</sup> March 2011 were £15.764m. The estimated contributions payable to the Local Government Pension Scheme for the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012 is £16.925m.

## v) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnet Waddingham Public Sector Consulting, estimates for the council being based on the latest full valuation which took place on 31<sup>st</sup> March 2007.

# NOTES TO THE FINANCIAL STATEMENTS

## vi) Principal assumptions used by the actuary

2009/10 £'000		2010/11 £'000
Long Term Expected Rate of Return on Assets in the Scheme:		
7.8%	Equity Investments	7.7%
4.5%	Gilts	4.4%
5.5%	Bonds	5.5%
7.3%	Property	7.2%
3.0%	Cash	3.0%
7.8%	Alternative Assets	7.7%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
22.2	Men	19.8
25.3	Women	23.9
Longevity at 65 for future pensioners		
23.0	Men	21.9
26.0	Women	25.8
3.9%	Rate of Inflation (RPI)	3.5%
0.0%	Rate of Inflation (CPI)	2.7%
5.4%	Rate of Increase in Salaries	4.0%
3.9%	Rate of Increase in Pensions	2.7%
5.5%	Rate for Discounting Scheme Liabilities	5.5%
50%	Take up of option to convert annual pension into retirement lump sum	50%

## vii) Local Government Pension Scheme assets, by proportion of total assets held

31 Mar 2010			31 Mar 2011	
£'000	%		£'000	%
188,341	70.0	Equity Investments	215,406	69.0
37,669	14.0	Bonds	43,706	14.0
5,381	2.0	Cash	9,365	3.0
21,525	8.0	Property	24,975	8.0
16,144	6.0	Alternative Assets	18,731	6.0
<b>269,060</b>	<b>100.0</b>		<b>312,183</b>	<b>100.0</b>

## NOTES TO THE FINANCIAL STATEMENTS

---

### viii) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31st March 2011:

31 Mar 2010 %		31 Mar 2011 %
52,399	Difference Between the Expected and Actual Return on Assets	29,723
0	Experience Gains and Losses on Liabilities	1

### 56. TEACHERS PENSION SCHEME

The Teachers Pension Scheme is a defined benefit scheme administered by the Teachers Pension Agency. Although the scheme is unfunded, the Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the council to identify a share of the underlying liabilities in the scheme attributable to its own employees. The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits have been recognised in the Pensions Liability calculation.

Payments to the Teachers Pension Fund are based on percentages of pay detailed in the Teachers Pensions Regulations. In 2010/11 the council paid £11,371,000 (£11,108,000 in 2009/10) in contributions, equivalent to 14.1% (14.1% in 2009/10) of total pensionable pay. The council also paid additional sums in respect of added years awarded to former employees amounting to £347,000 (£379,000 in 2009/10).

# SUPPLEMENTARY FINANCIAL STATEMENTS

## 1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The council charges rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rent is raised, is shown in the Movement on the Housing Revenue Account Statement.

2009/10 £'000	2010/11 £'000
<b>Expenditure</b>	
12,644 Repairs and Maintenance	10,762
7,666 Supervision and management	8,199
3,111 Special Services	3,083
396 Rent, Rates, Taxes and Other Charges	268
6,915 Negative Housing Revenue Account Subsidy Payable	14,278
Depreciation of Non-Current Assets	
7,458 Dwellings	7,897
734 All Other HRA Assets	686
Impairment of Non-Current Assets	
(29,792) Dwellings	134,543
281 All Other HRA Assets	390
30 Debt Management Costs	5
158 Amortisation of Intangible Fixed Assets	25
(5) Amortisation of Government Grants Deferred	0
21 Revenue Expenditure Funded by Capital Under Statute	759
320 Contribution to Reserves for Bad and Doubtful Debts	(362)
1,974 Rent Rebate Subsidy Limitation Transfer to the General Fund	1,535
<b>11,911 Total Expenditure</b>	<b>182,068</b>
<b>Income</b>	
(45,709) Dwelling Rents	(49,076)
(1,546) Non-Dwelling Rents	(1,724)
Charges for Services and Facilities	
(1,103) Tenants	(1,108)
(1,256) Leaseholders	(1,682)
(197) Contribution towards expenditure	(141)
0 Housing Revenue Account Subsidy Receivable	0
<b>(49,811) Total Income</b>	<b>(53,731)</b>
<b>(37,900) Net Cost of HRA Services as included in the whole authority</b>	<b>128,337</b>
<b>Comprehensive Income and Expenditure Statement</b>	
80 HRA Share of Corporate and Democratic Core	174
HRA Share of other amounts included in the whole authority Net Cost of	
0 Service but not allocated to specific service	0
<b>(37,820) Net Cost of Housing Revenue Account Services</b>	<b>128,511</b>
527 (Gain) / Loss on Sale of HRA Non-Current Assets	(232)
4,046 Interest Payable and Similar Charges	4,070
(193) HRA Interest and Investment Income	(1)
246 Pension Interest Cost and Expected Return on Pension Assets	8
<b>(33,194) Surplus / Deficit for the Year on HRA Services</b>	<b>132,356</b>



## SUPPLEMENTARY FINANCIAL STATEMENTS

### 2. MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This statement illustrates how the Housing Revenue Account Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

2009/10 £'000	2010/11 £'000
<b>(6,143) Housing Revenue Account Balance as at 1 April 2010</b>	<b>(6,058)</b>
(33,194) (Surplus) / Deficit on HRA Income and Expenditure Statement	132,356
33,279 Adjustments between Accounting Basis and Funding Basis Under Regulations	(133,509)
85 <b>Net Increase / Decrease before Transfers to/from Earmarked Reserves</b>	(1,153)
0 Transfer to / (from) Earmarked Reserves	3,645
85 Increase in year on Housing Revenue Account	2,492
<b>(6,058) Housing Revenue Account Balance as at 31 March 2011</b>	<b>(3,566)</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

### 3. ANALYSIS OF THE ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made the Housing Revenue Account in the year according with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet capital and revenue expenditure.

2009/10 £'000		2010/11 £'000
28,915	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(134,959)
(21)	Revenue Expenditure Funded from Capital Under Statute	(759)
5	Capital Grants & Contributions credited to the Housing Revenue Income & Expenditure Account	0
3,000	2010/11 Major Repairs Allowance used in 2009/10	(3,750)
(527)	Net Gain or Loss on Sale of Non-Current Assets	232
(28)	Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements	(43)
(211)	Amount by which pension costs calculated in accordance with the code are different from the contributions due under pension scheme regulations	(438)
1,851	Capital Expenditure funded from the Housing Revenue Account	6,894
295	Transfer to/(from) Other Earmarked Reserves	0
0	Transfer to/(from) the Major Repairs Reserve	(686)
<b>33,279</b>	<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(133,509)</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

### 4. HOUSING STOCK

At 1<sup>st</sup> April 2010 the HRA housing stock was 12,602. During the 2010/11 financial year 27 properties were sold to tenants (includes part-sales of shared ownership dwellings), 1 dwelling was added to HRA stock, 6 dwellings were transferred to commercial properties group and 91 properties were demolished, therefore at 31<sup>st</sup> March 2011 the council was responsible for managing a housing stock of 12,479 dwellings of which 1,002 is the council's portion of shared ownership dwellings and 32 are dwellings in multiple-occupation. The analysis of the remaining 11,445 dwellings is as follows:

	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,475	2,348	3,823	Pre - 1919	50
2 Bedrooms	1,805	854	2,659	1919 - 1944	350
3 or more Bedrooms	4,782	191	4,973	1945 - 1964	1,510
				Post - 1964	6,152
<b>Total</b>	<b>8,062</b>	<b>3,393</b>	<b>11,455</b>		<b>8,062</b>

### 5. ASSET VALUES

The Balance Sheet values of the assets held within the Housing Revenue Account are as follows:

	31 March 2010 £'000	1 April 2010 £'000	31 March 2011 £'000
<u>Operational Assets</u>			
Council Dwellings	558,273	393,925	426,554
Other Land & Buildings	18,910	19,580	18,889
Equipment	283	283	186
<u>Non Operational Assets</u>			
Surplus Assets	1,614	2,002	3,227
Assets Held for Sale	0	0	194
Investment Properties	164	164	43
	<b>579,244</b>	<b>415,954</b>	<b>449,093</b>

The difference between valuations at 31<sup>st</sup> March and 1<sup>st</sup> April 2010 is due to the reclassification and then revaluation of assets on 1<sup>st</sup> April each year. In addition, for Council Dwellings there has been a 13% change in the adjustment factor used to calculate the Existing Use Value-Social Housing.

The increase of £33,138,000 between 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2011 is due to additions from capital expenditure and further revaluations in the year offset by disposals, depreciation and impairment losses.

## SUPPLEMENTARY FINANCIAL STATEMENTS

As at 1<sup>st</sup> April 2010, the vacant possession value of the council's dwellings is estimated at £1,267,510,000, compared with the Balance Sheet value of £393,925,000 shown above. This variance reflects the economic cost to the Government of providing council housing at less than open market rents.

### 6. MAJOR REPAIRS RESERVE

The council is required by regulation to establish and maintain a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital spending on Housing Revenue Account assets is then funded from the reserve without being charged to the Housing Revenue Account.

	£'000
<b>Opening Balance at 1 April 2010</b>	<b>0</b>
Amounts transferred to the Major Repairs Reserve from the HRA during the year	(8,583)
Amounts transferred from the Major Repairs Reserve to the HRA during the year	686
Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on land, houses, and other properties within the HRA	7,897
Debits in respect of any repayment made in year of the principal of any amounts borrowed where the repayment was met by the payment out of the Major Repairs Reserve	0
Debits in respect of the meeting of any liability in year in respect of credit arrangements' other than any liability which in accordance with proper practices must be charged to a revenue account where the meeting of the liability was met by payments out of the reserve	0
<b>Balance Carried Forward at 31 March 2011</b>	<b>0</b>

Where depreciation charges are more than the Major Repairs Allowance (MRA) an amount equal to the difference is transferred from the Major Repairs Reserve.

## SUPPLEMENTARY FINANCIAL STATEMENTS

### 7. CAPITAL EXPENDITURE

Total capital spending within housing and other Housing Revenue Account resources and its funding in 2010/11 is shown in the table below.

	£'000
<b><u>Capital Spending</u></b>	
- Dwellings	12,229
- Other HRA Assets	42
- Revenue expenditure funded from capital under statute	759
	<b><u>13,030</u></b>
<b><u>Funded By</u></b>	
- Usable Capital Receipts	242
- Supported Borrowing	972
- Unsupported Borrowing	3,000
- Major Repairs Allowance	4,897
- Government Grant	0
- Third Party Contributions	50
- Revenue Contributions	3,869
	<b><u>13,030</u></b>

### 8. CAPITAL RECEIPTS

The following capital receipts were received during 2010/11:

	£'000
Sales of Dwellings*:	
Council Houses	962
Shared Ownership	154
Recovered Discount	22
Mortgage Receipts	7
Other Sales	30
Non RTB Sales	14
Capital Improvement receipts	42
<b>HRA Receipts in Year</b>	<b><u>1,231</u></b>
Less: Statutory Pooling	(878)
<b>Total HRA Useable Receipts in year</b>	<b><u>353</u></b>

\* Sales of dwellings are shown net of administrative costs and clawback.

## SUPPLEMENTARY FINANCIAL STATEMENTS

### 9. DEPRECIATION

The total charge for depreciation within the Housing Revenue Account for 2010/11 is made up as follows:

	£'000
<u>Operational Assets</u>	
Dwellings	7,897
Other Land and Buildings	511
Equipment	136
<u>Non Operational Assets</u>	
Surplus Properties	39
<b>Gross Balance Sheet Value</b>	<b>8,583</b>

In 2010/11 the Major Repairs Allowance has been used as a proxy for component accounting and depreciation for dwelling stock. This is in line with the Department for Communities and Local Government valuation guidance 2010 (published on 26<sup>th</sup> January 2011).

Other assets are depreciated over their useful life with property being based on 60 years from completion date.

### 10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE AND INTANGIBLE NON-CURRENT ASSETS

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the Housing Revenue Account in the year.

Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Housing Revenue Account Balance so there is no impact on the level of council tax. In 2010/11, expenditure of this nature totalled £759,000.

Intangible Fixed Assets comprise of purchased software licences and custom built software prepared for use for a period of a least one year and amortised over their useful economic lives. In 2010/11, intangible fixed assets of £25,000 were written down to the Housing Revenue Account.

### 11. PENSION RESERVE

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is £438,000. Details of the background to, and reasons for this adjustment, may be found in note 9 to the Statement of Accounting Policies, and note 55 to the Financial Statements.

## SUPPLEMENTARY FINANCIAL STATEMENTS

### 12. GOVERNMENT SUBSIDY

Housing Revenue Account negative subsidy payable to the government for the financial year, in accordance with the elements set out in the Government's Determination of Housing Revenue Account Subsidy for the year, was as follows:

2009/10 £'000		2010/11 £'000
(19,562)	Management and Maintenance	(20,193)
(4,510)	Charges for Capital	(4,301)
0	Rental Constraint Allowance	0
6	Interest on Receipts	3
41,781	Guideline Rent Income	42,916
<b>17,715</b>	<b>HRA Negative Subsidy Entitlement for year</b>	<b>18,425</b>
(7,800)	Major Repairs Allowance	(7,897)
(3,750)	Major Repairs Allowance 2010/11 (share brought forward into 2009/10)	3,750
<b>(11,550)</b>	<b>Total MRA Allowance</b>	<b>(4,147)</b>
<b>6,165</b>	<b>Total HRA Negative Subsidy Payable in Year</b>	<b>14,278</b>

The total negative subsidy charged within the HRA of £18,425,000 is partially offset by the Government's Major Repairs Allowance of £4,147,000, used in the funding of capital expenditure.

### 13. RENTS ARREARS

The total rent income for the year, after allowance is made for voids, is known as Gross Rent Income. The loss of income as a result of voids was £888,000 (£940,000 in 2009/10). At 31<sup>st</sup> March 2011, 1.31% of properties available to let were vacant (0.67% at 31<sup>st</sup> March 2010).

Rents are expressed in terms of a 50-week year and were increased from 5<sup>th</sup> April 2010 by 0.73%. The average weekly rent at the end of 2010/11 was £74.15 (£73.49 in 2009/10).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31<sup>st</sup> March 2011 amounted to £3,925,000 (£3,459,000 at 31<sup>st</sup> March 2010). During the year ending 31<sup>st</sup> March 2011 arrears of £206,000 were written off as irrecoverable, which includes rent debt written off amounting to £193,000.

The council has made a total provision against all housing-related debts of £1,270,000. This figure includes a provision against rent arrears, following International Financial Reporting Standards guidance, in the sum of £1,037,000.

## SUPPLEMENTARY FINANCIAL STATEMENTS

---

### 14. SUBSIDY LIMITATION TRANSFER TO THE GENERAL FUND

Rent rebates are available under the Housing Benefit scheme for those on low incomes. 64.71% of the council's tenants receive some help with the cost of their rent.

From 1<sup>st</sup> April 2004, the responsibility for carrying the cost of Housing Benefit passed to the General Fund in accordance with legislative changes. The Housing Revenue Account now only bears the cost of rent rebate subsidy limitation, which is the cost of rent rebates payable on rents above the Government's Limit rent level. In 2010/11 this cost was £1,535,000.



## SUPPLEMENTARY FINANCIAL STATEMENTS

### 15. COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to local authorities and the government of council tax and non-domestic rates.

2009/10 £'000			2010/11 £'000
<b>Amounts required by statute to be credited to the Collection Fund</b>			
	Council Tax due in year:		
(95,340)	Net Income	(99,044)	
(15,824)	Benefits	(16,780)	
2	Transitional Relief	2	
<u>(111,162)</u>		<u></u>	(115,822)
(144,300)	Income from Business Ratepayers		(135,667)
0	Community Charge Adjustments		0
<u><b>(255,462)</b></u>			<u><b>(251,489)</b></u>
<b>Amounts required by statute to be debited to the Collection Fund</b>			
	Precepts:		
12,217	Thames Valley Police Authority	12,615	
4,659	Bucks & Milton Keynes Fire Authority	4,834	
92,938	Milton Keynes Council	96,116	
<u>109,814</u>		<u></u>	113,565
	Business Rates:		
143,702	NNDR Payment to National Pool	135,150	
389	Cost of Collecting Business Rates	370	
208	Interest on NNDR Payments	147	
<u>144,299</u>		<u></u>	135,667
841	Council Tax Bad Debt Provision		(134)
<u><b>254,954</b></u>			<u><b>249,098</b></u>
<u><b>(508)</b></u>	<b>Net (Surplus)/Deficit for the year</b>		<u><b>(2,391)</b></u>

## SUPPLEMENTARY FINANCIAL STATEMENTS

### 16. COLLECTION FUND BALANCE

2009/10 £'000		2010/11 £'000	Note
(177)	Balance brought forward at 1 April 2010	(508)	
177	Transfer of opening balances to Precepting Authorities	800	
(508)	(Surplus)/Deficit for the year	(2,391)	
<u>(508)</u>	Balance carried forward at 31 March 2011	<u>(2,099)</u>	19

### 17. RATEABLE VALUE

The total rateable value of business property at 31<sup>st</sup> March 2011 was £346,057,684 (£331,652,125 2009/10) and the rate multiplier applied in 2010/11 was £0.414 (£0.414 2009/10) with a reduced multiplier of £0.407 for those businesses receiving Small Business Relief (£0.407 in 2009/10).

### 18. TAX BASE

The Council Tax base for 2010/11, i.e. the number of chargeable dwellings in each band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Estimated No. of Taxable Properties after discounts/exemptions	Ratio to Band D	Band D Equivalent
A-	5/9	12.90
A	6/9	8,378.70
B	7/9	18,699.30
C	8/9	21,156.00
D	9/9	11,019.00
E	11/9	11,189.10
F	13/9	6,875.60
G	15/9	4,194.20
H	18/9	193.50
		<u>81,718.30</u>
Anticipated changes during the year		710.00
Provision for non-collection (1.15%)		(951.18)
Reductions for Discounts		282.26
<b>Council Tax Base</b>		<u><u>81,759.38</u></u>

## SUPPLEMENTARY FINANCIAL STATEMENTS

### 19. COLLECTION FUND BALANCE APPORTIONMENT

The Collection Fund is a statutory Fund in which the council records transactions for Council Tax, Business Rates and residual Community Charges. The balance on the Fund is available for financing the expenditure of the council and the Police and Fire Authorities. In 2010/11 the Fund is in surplus and is attributable to:

2009/10 £'000		2010/11 £'000
(430)	Milton Keynes Council	(1,777)
(56)	Thames Valley Police Authority	(233)
(22)	Buckinghamshire and Milton Keynes Fire Authority	(89)
(508)		(2,099)

A Collection Fund surplus of £1,033,000 had been estimated when the 2011/12 Council Tax was set. The final outturn as above was £2,099,000 surplus, leaving the balance of £1,066,000 to be a contribution from the Collection Fund in 2011/12.

### 20. WRITE OFFS

Council Tax debt of £526,763 was written off in 2010/11; (£903,768 2009/10).

### 21. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

2009/10 Total £'000		Precept / Demand £'000	Share of 31 Mar 2011 Surplus £'000	2010/11 Total £'000
92,508	Milton Keynes Council	96,116	(1,777)	94,339
12,161	Thames Valley Police Authority	12,615	(233)	12,382
4,637	Buckinghamshire and Milton Keynes Fire Authority	4,834	(89)	4,745

# GLOSSARY

---

## **Accruals**

Sums included in the final accounts of the council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

## **Actuary**

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

## **Amortisation**

The reduction of the value of an asset by prorating its cost over a period of years.

## **Capital Charges**

A charge for the use of fixed assets in the provision of services. The charge comprises depreciation plus notional interest.

## **Capital Expenditure**

Spending that produces or enhances an asset, like land, buildings, vehicles, plant and machinery.

Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

## **Capital Financing Account**

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts and revenue for the repayment of external loans, as well as amounts of revenue, usable capital receipts and contributions which have been used to fund capital expenditure together with certain other capital transactions.

## **Capital Receipts**

The proceeds from the sale of fixed assets such as land and buildings.

Capital receipts can be used to repay any outstanding debt on fixed assets or, to finance new capital expenditure, within rules set down by government.

Capital receipts cannot, however, be used to finance revenue expenditure.

## **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

# GLOSSARY

---

## **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

## **Contingent Liabilities/Gains**

Potential losses/gains for which a future event will establish whether a liability/gain exists and for which it is inappropriate to set up a provision in the accounts.

## **Deferred Credits**

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as mortgages. The balance is reduced by the principal amount repayable in any financial year.

## **Deferred Grants**

Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

## **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

## **Earmarked Reserves**

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

## **Finance Leases**

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

## **Financial Instruments**

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

# GLOSSARY

---

## **International Financial Reporting Standard (IFRS)**

A statement of accounting practice issued by the Accounting Standards Board.

## **Fixed Assets**

Non-current asset that yields benefits to the council and the services it provides for a period of more than one year.

## **General Fund (GF)**

This is the main revenue account of the council. Day to day transactions are conducted through this account, with the exception of those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the council.

## **Housing Revenue Account**

The account of revenue expenditure and income relating to the council's own housing stock.

## **Infrastructure Assets**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

## **Intangible Assets**

Expenditure of a capital nature where no tangible asset is created such as housing renovation grants or computer software.

## **Investments**

Deposits for less than one year with approved institutions.

## **Long Term Debtors**

Amounts due to the council more than one year after the balance sheet date.

## **Major Repairs Allowance**

The estimated average annual cost of maintaining the condition of the council's housing stock over a 30 year period based on the councils mix of dwelling types

## **Minimum Revenue Provision**

The minimum amount that may be set aside for the repayment of debt. The statutory figure is usually shown in a council's accounts by means of an adjustment to depreciation.

# GLOSSARY

---

## **National Non-Domestic Rate (NNDR)**

Under the revised arrangements for uniform business rates, that came into effect on 1<sup>st</sup> April 1990, the council collects Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate.

The total amount, less certain reliefs and deductions, is paid to a central pool managed by the government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

## **Non-Operational Assets**

Fixed assets held by the council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

## **Operational Assets**

Fixed assets held by the council and used or consumed in the delivery of its services.

## **Operational Leases**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

## **Pension Fund**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

## **Precepting Authorities**

Those authorities that are not billing authorities (i.e. do not collect Council Tax) precept upon the billing authority, who then collect on their behalf - Thames Valley Police Authority, Buckinghamshire & Milton Keynes Fire Authority and the Parishes that precept upon Milton Keynes Council.

## **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

## **Public Works Loan Board**

The Public Works Loan Board (PWLB) was established in 1793 to provide loans to public bodies from the National Loans Fund. It today provides loans to local authorities of all types in Great Britain, primarily for capital projects, but also as a lender of last resort.

## GLOSSARY

---

### **Rateable Value**

An official estimate of the value of a property used as a basis of local taxation.

### **Revenue Support Grant**

This funding is the government grant provided by the Department for Communities & Local Government (DCLG) that is based on the government assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

### **Standards Fund Grant**

The Standards Fund is a set of grants that are intended to contribute to local authorities and schools development and improvement agenda.

### **TUPE**

Transfer of Undertakings (Protection of employment) Regulations (TUPE). Protects employees terms and conditions of employment when a business is transferred from one owner to another.

### **Unsupported Borrowing**

Funding source for capital expenditure, where the revenue costs of borrowing do not come from Central Government and have to be met by the local authority from its own resources. Under the Prudential Code, all local authority borrowing undertaken by the local authority must be prudent, affordable and sustainable.





**Address:**  
Strategic Finance  
Milton Keynes Council  
Saxon Court  
502 Avebury Boulevard  
Milton Keynes  
MK9 3HS

**Telephone:**  
01908 691691

**Fax:**  
01908 254427